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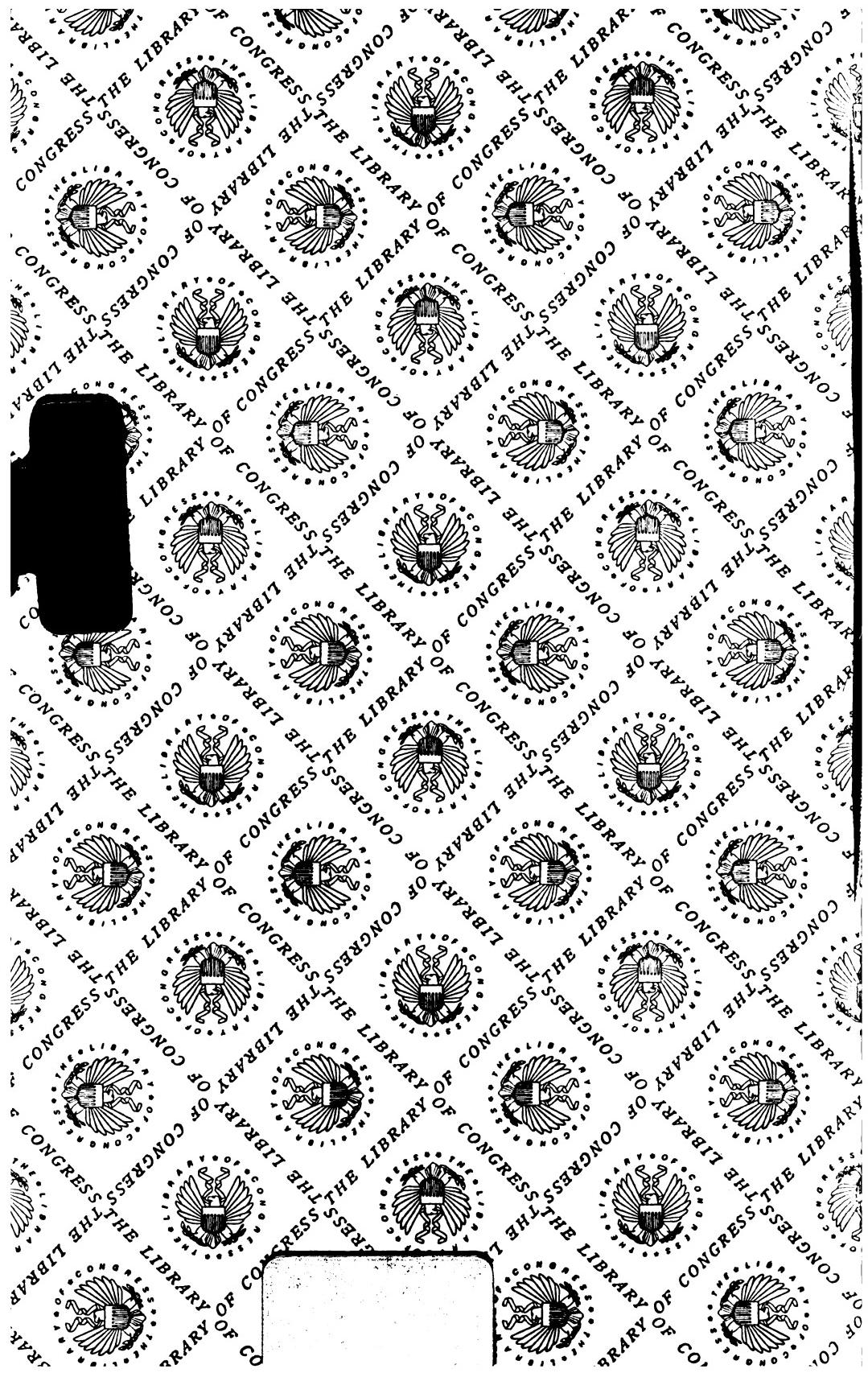
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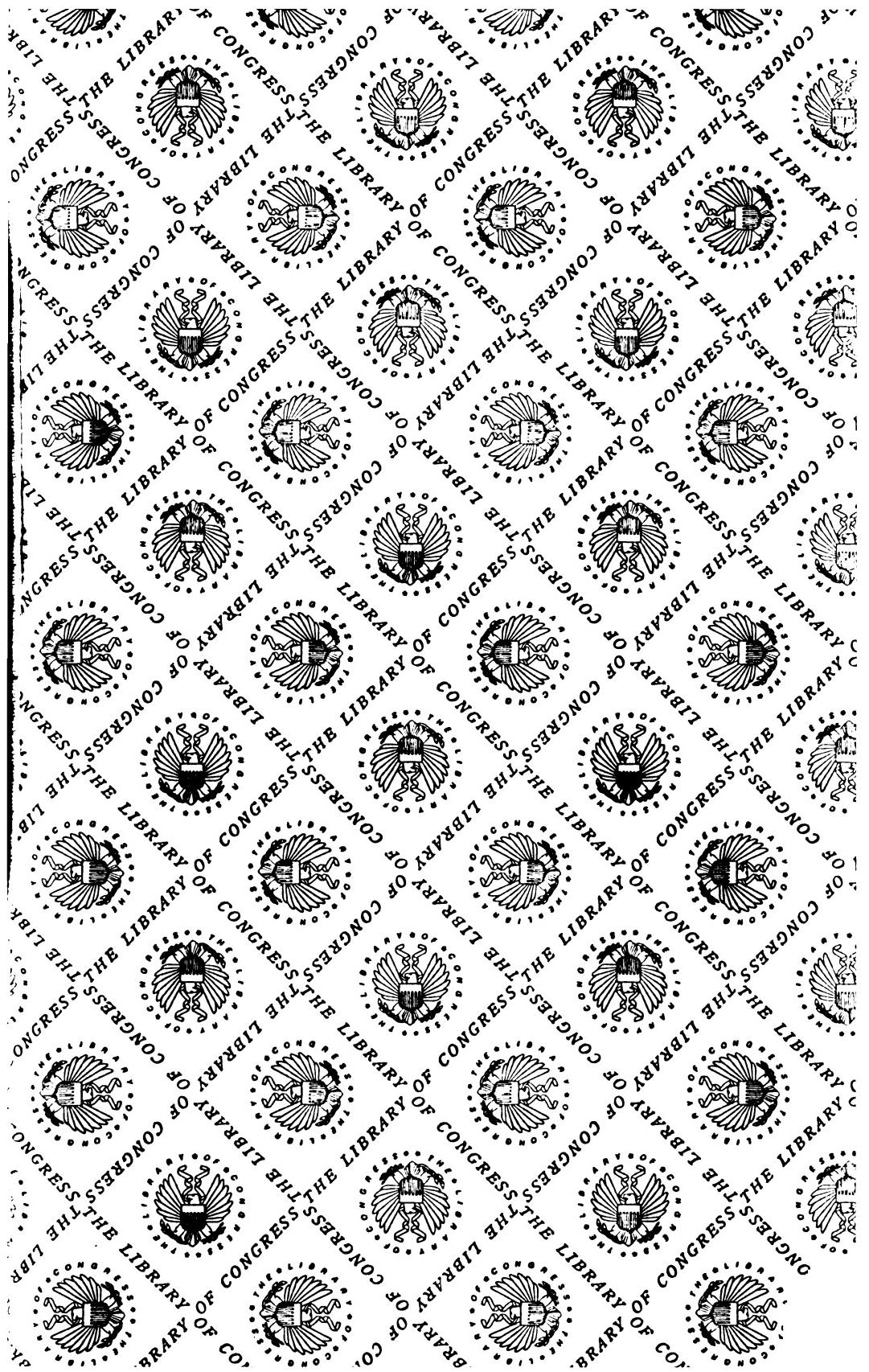
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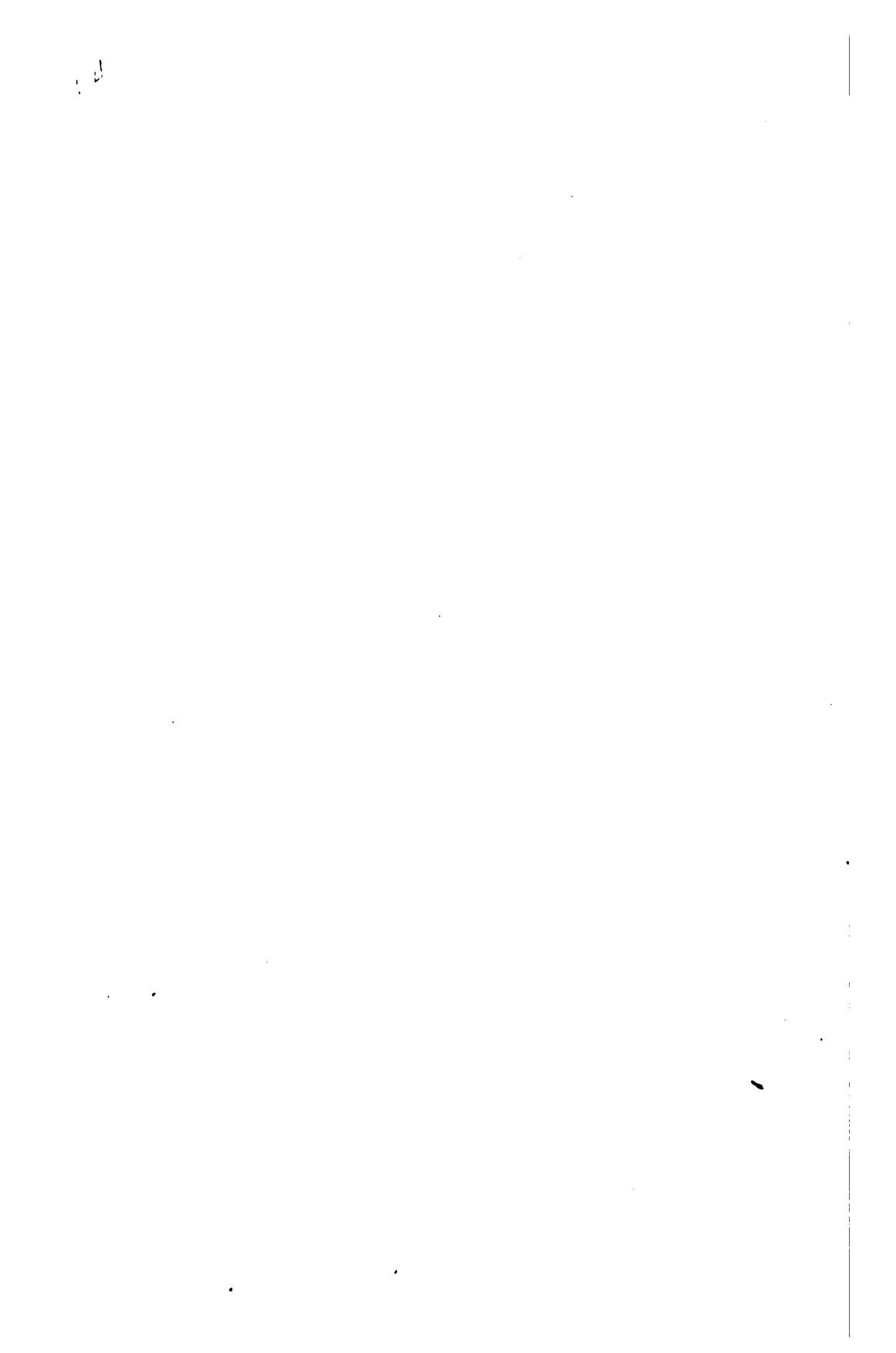
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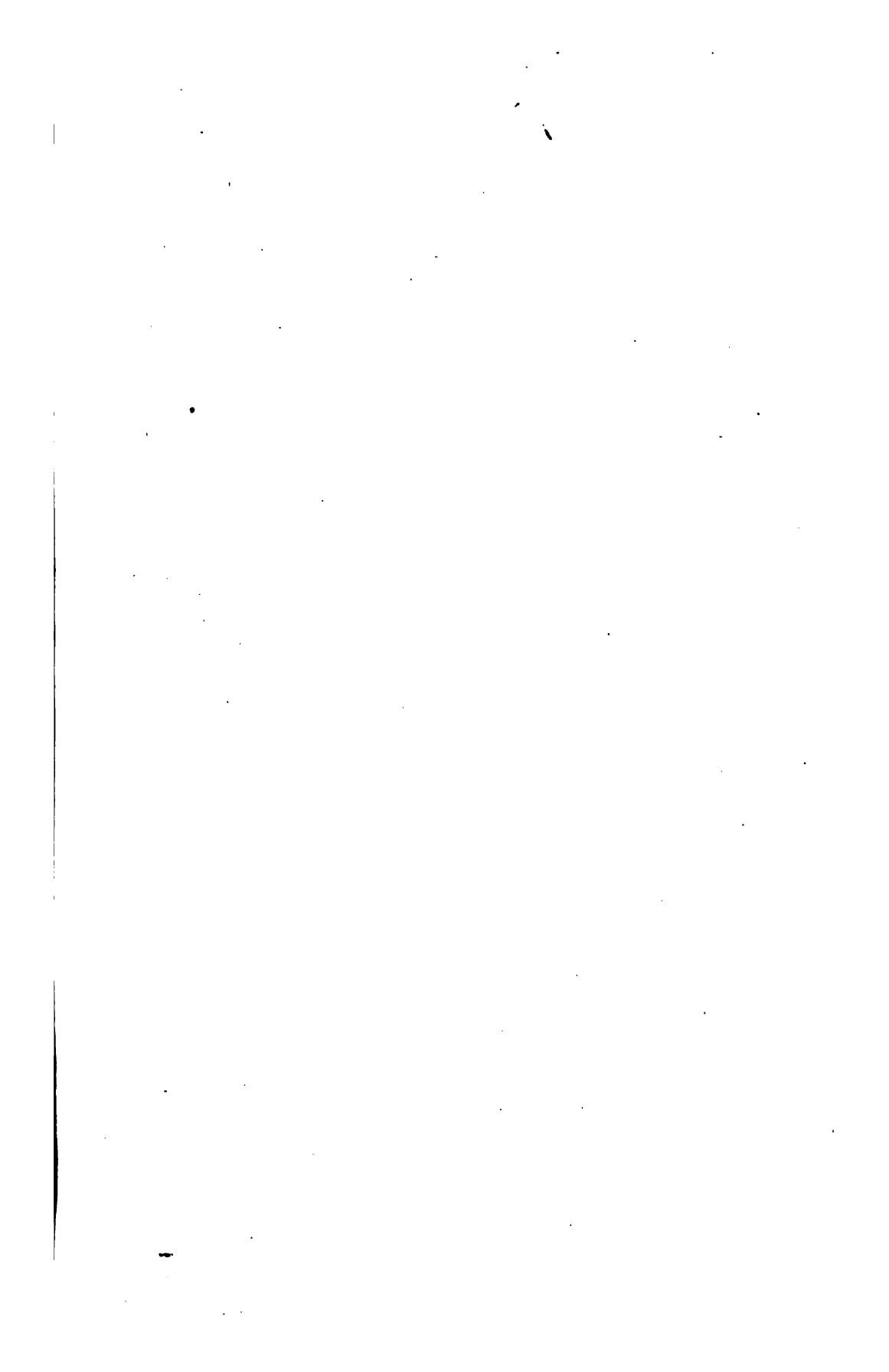






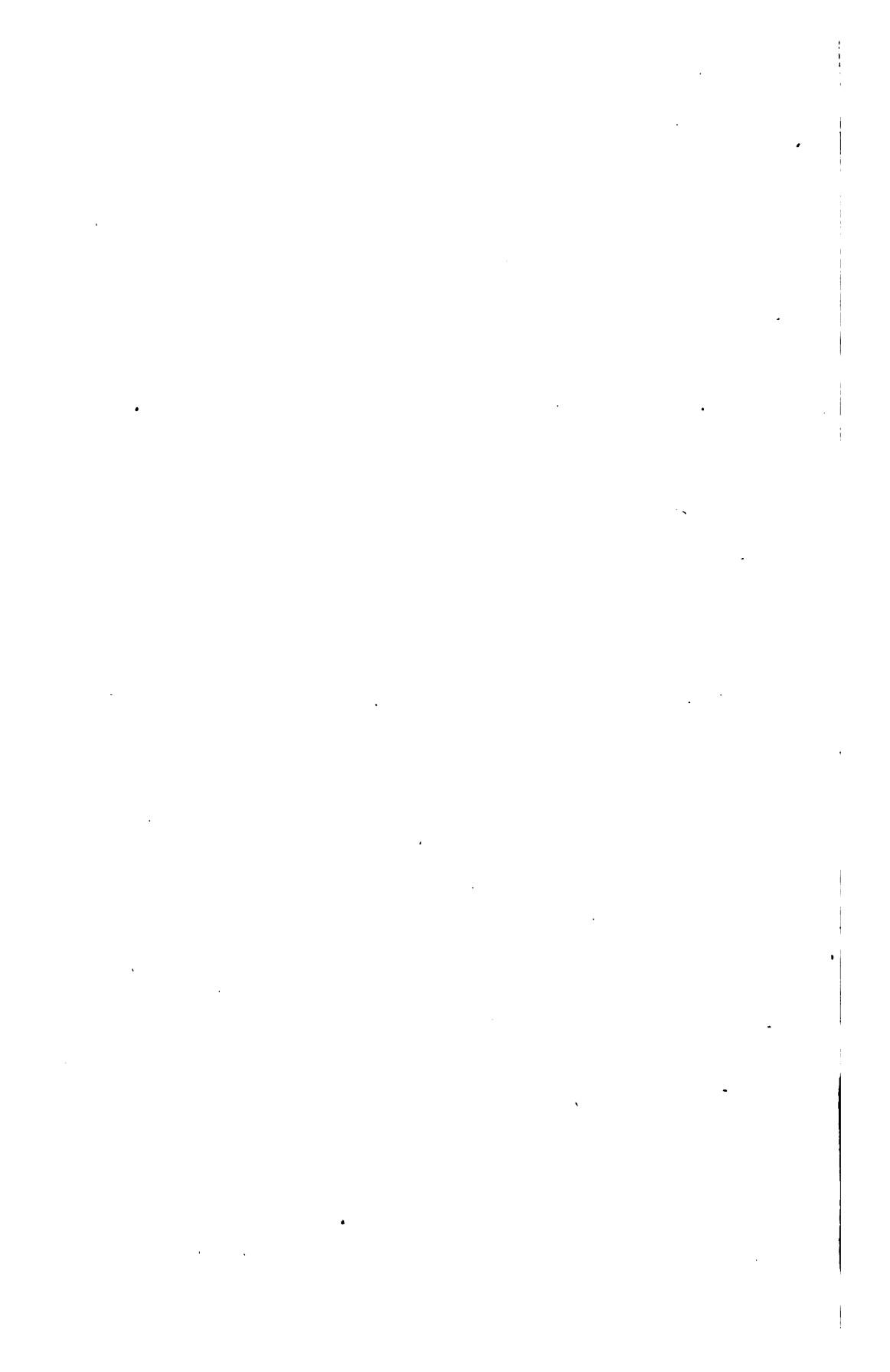


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CREATING A SHIPPING BOARD, A NAVAL AUXILIARY,
AND MERCHANT MARINE

HEARINGS

BEFORE THE

SUBCOMMITTEE OF THE 442
665
COMMITTEE ON COMMERCE
UNITED STATES ^{Cong.} SENATE

SIXTY-FOURTH CONGRESS
FIRST SESSION

ON

H. R. 15455

AN ACT TO ESTABLISH A UNITED STATES SHIPPING BOARD FOR THE
PURPOSE OF ENCOURAGING, DEVELOPING, AND CREATING A NAVAL
AUXILIARY AND NAVAL RESERVE AND A MERCHANT MARINE
TO MEET THE REQUIREMENTS OF THE COMMERCE OF THE
UNITED STATES WITH ITS TERRITORIES AND POSSES-
SIONS AND WITH FOREIGN COUNTRIES; TO REGU-
LATE CARRIERS BY WATER ENGAGED IN
THE FOREIGN AND INTERSTATE COM-
MERCE OF THE UNITED STATES;
AND FOR OTHER PURPOSES

Printed for the use of the Committee on Commerce

WASHINGTON
GOVERNMENT PRINTING OFFICE
1916

~~HF 745
APR 19 1916~~

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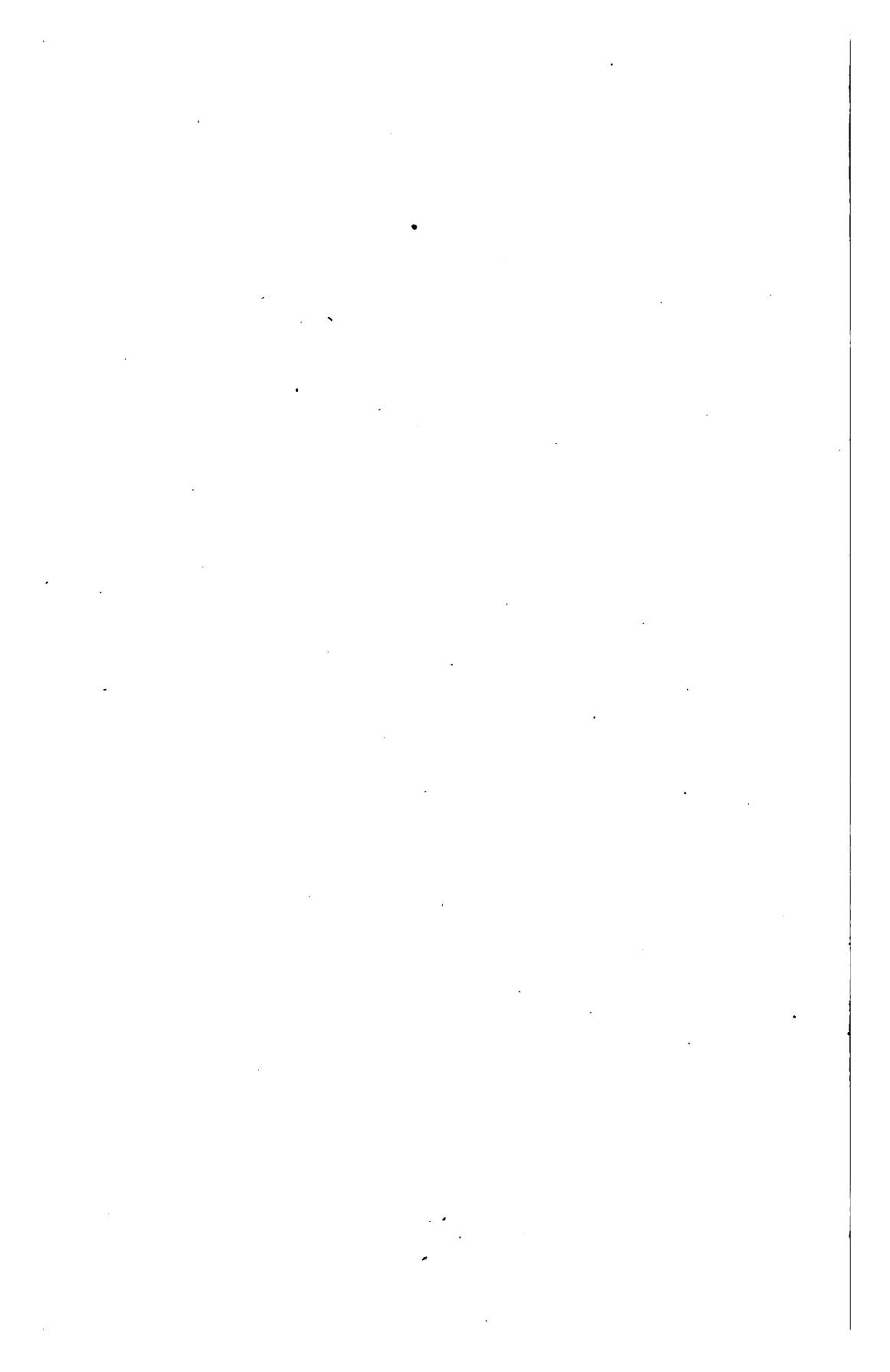
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CREATING A SHIPPING BOARD, A NAVAL AUXILIARY, AND MERCHANT MARINE.

MONDAY, MAY 29, 1916.

UNITED STATES SENATE,
SUBCOMMITTEE ON COMMERCE,
Washington, D. C.

The subcommittee met in the committee room, Capitol, at 10 o'clock
a. m. pursuant to call, Senator F. M. Simmons presiding.

Present: Senators Simmons (chairman), Fletcher, Bankhead, Jones, and Lippitt.

Also present, Mr. Winthrop L. Marvin.

The subcommittee proceeded to consider the bill (H. R. 15455) to establish a United States shipping board for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve and a merchant marine to meet the requirements of the commerce of the United States with its Territories and possessions and with foreign countries; to regulate carriers by water engaged in the foreign and interstate commerce of the United States; and for other purposes, which is here printed in full, as follows:

[H. R. 15455, Sixty-fourth Congress, first session.]

AN ACT To establish a United States shipping board for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve and a merchant marine to meet the requirements of the commerce of the United States with its Territories and possessions and with foreign countries; to regulate carriers by water engaged in the foreign and interstate commerce of the United States; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That when used in this act:

The term "common carrier by water in foreign commerce" means a common carriers, except ferryboats running on regular routes, engaged in the transportation by water of passenger or property between the United States or any of its Districts, Territories, or possessions and a foreign country, whether in the import or export trade.

The term "common carrier by water in interstate commerce" means a common carrier engaged in the transportation by water of passengers or property between one State, Territory, District, or possession of the United States and any other State, Territory, District, or possession of the United States, or between places in the same Territory, District, or possession.

The term "common carrier by water" means a common carrier by water in foreign commerce or a common carrier by water in foreign commerce.

The term "other person subject to this act" means any person not included in the term "common carrier by water," carrying on the business of forwarding, ferrying, towing, or furnishing transfer, lighterage, wharfage, dock, warehouse, or other terminal facilities in or in connection with a common carrier by water.

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The term "person" includes corporations, partnerships, and associations, existing under or authorized by the laws of the United States, or any State, Territory, District, or possession thereof, or of any foreign country.

SEC. 2. That within the meaning of this act no corporation, partnership, or association shall be deemed a citizen of the United States unless the controlling interest therein is owned by citizens of the United States, and, in the case of a corporation, unless its president and managing directors are citizens of the United States and the corporation itself is organized under the laws of the United States or of a State, Territory, District, or possession thereof.

The provisions of this act shall apply to receivers and trustees of all persons to whom the act applies, and to the successors or assignees of such persons.

SEC. 3. That a board is hereby created, to be known as the United States shipping board, and hereinafter referred to as the board. The board shall be composed of the Secretary of the Navy and the Secretary of Commerce, as members ex officio, and five commissioners, to be appointed by the President, by and with the advice and consent of the Senate; said board shall annually elect one of its members as chairman and one as vice chairman.

The first commissioners appointed shall continue in office for terms of two, three, four, five, and six years, respectively, from the date of their appointment, the term of each to be designated by the President, but their successors shall be appointed for terms of six years, except that any person chosen to fill a vacancy shall be appointed only for the unexpired term of the commissioner whom he succeeds.

The commissioners shall be appointed with due regard to their fitness for the efficient discharge of the duties imposed on them by this act, and to a fair representation of the geographical divisions of the country. Not more than three of the commissioners shall be appointed from the same political party. No commissioner shall be in the employ of or hold any official relation to any common carrier by water or other person subject to this act, or own any stocks or bonds thereof, or be pecuniarily interested therein. No commissioner shall actively engage in any other business, vocation, or employment. Any commissioner may be removed by the President for inefficiency, neglect of duty, or malfeasance in office. A vacancy in the board shall not impair the right of the remaining members of the board to exercise all its powers. The board shall have an official seal, which shall be judicially noticed.

The board may adopt rules and regulations in regard to its procedure and the conduct of its business.

SEC. 4. That each member of the board, except the ex officio members, shall receive a salary of \$10,000 per annum. The board shall appoint a secretary, at a salary of \$5,000 per annum, and employ and fix the compensation of such attorneys, officers, naval architects, special experts, examiners, clerks, and other employees as it may find necessary for the proper performance of its duties and as may be appropriated for by the Congress. The President, upon the request of the board, may authorize the detail of officers of the military, naval, or other services of the United States for such duties as the board may deem necessary in connection with its business.

With the exception of the secretary, a clerk to each commissioner, the attorneys, naval architects, and such special experts and examiners as the board may from time to time find necessary to employ for the conduct of its work, all employees of the board shall be a part of the classified civil service.

The expenses of the board, including necessary expenses for transportation, incurred by the members of the board or by its employees under its orders, in making any investigation, or upon official business in any other place than in the city of Washington, shall be allowed and paid on the presentation of itemized vouchers therefor approved by the chairman of the board.

Until otherwise provided by law the board may rent suitable offices for its use.

The Auditor for the State and Other Departments shall receive and examine all accounts of expenditures of the board.

SEC. 5. That the board, with the approval of the President, is authorized to have constructed and equipped in American shipyards and navy yards or elsewhere, giving preference, other things being equal, to domestic yards, or to purchase, lease, or charter, vessels suitable, as far as the commercial requirements of the marine trade of the United States may permit, for use as naval auxiliaries or Army transports, or for other naval or military purposes.

SEC. 6. That the President may transfer either permanently or for limited periods to the board such vessels belonging to the War or Navy Department as are suitable for commercial uses and not required for military or naval use

In time of peace, and cause to be transferred to the board vessels owned by the Panama Railroad Company and not required in its business.

SEC. 7. That the board, upon terms and conditions prescribed by it and approved by the President, may charter, lease, or sell to any person, a citizen of the United States, any vessel so purchased, constructed, or transferred.

SEC. 8. That when any vessel purchased or constructed by or transferred to the board as herein provided, and owned by the United States, becomes, in the opinion of the board, unfit for the purposes of this Act, it shall be appraised and sold at public or private sale free from the conditions and restrictions of this act.

SEC. 9. That any vessel purchased, chartered, or leased from the board may be registered or enrolled and licensed as a vessel of the United States and entitled to the benefits and privileges appertaining thereto: *Provided*, That foreign-built vessels heretofore or hereafter admitted to American registry or enrollment and license under the act of August eighteenth, nineteen hundred and fourteen, or under this act, and vessels owned, chartered, or leased by any corporation in which the United States is a stockholder (except the Panama Railroad Company), may not engage in the coastwise trade of the United States, except that such vessels may engage in trade with Alaska, Hawaii, or Porto Rico, whether or not en route to or from a foreign port, if the board finds such trade is not being adequately served by a regular line or lines of vessels.

Every vessel purchased, chartered, or leased from the board shall, unless otherwise authorized by the board, be operated only under such registry or enrollment and license. Such vessels while employed solely as merchant vessels shall be subject to all laws, regulations, and liabilities governing merchant vessels, whether the United States be interested therein as owner, in whole or in part, or hold any mortgage, lien, or other interest therein. No such vessel, without the approval of the board, shall be transferred to a foreign registry or flag, or sold; nor, except under regulations prescribed by the board, be chartered or leased.

When the United States is at war, or during any national emergency the existence of which is declared by proclamation of the President, no vessel registered or enrolled and licensed under the laws of the United States shall, without the approval of the board, be sold, leased, or chartered to any person not a citizen of the United States, or transferred to a foreign registry or flag.

Any vessel sold, chartered, leased, transferred, or operated in violation of this section shall be forfeited to the United States, and whoever violates any provision of this section shall be guilty of a misdemeanor and subject to a fine of not more than \$5,000 or to imprisonment of not more than five years, or both such fine and imprisonment.

SEC. 10. That the President, upon giving to the person interested such reasonable notice in writing as in his judgment the circumstances permit, may take possession, absolutely or temporarily, for any naval or military purpose, of any vessel purchased, leased, or chartered from the board: *Provided*, That if, in the judgment of the President, an emergency exists requiring such action he may take possession of any such vessel without notice.

Thereafter, upon ascertainment by agreement or otherwise, the United States shall pay the person interested the fair actual value at the time of taking of the interest of such person in every vessel taken absolutely, or if taken for a limited period, the fair charter value for such period. In case of disagreement as to the fair value it shall be determined by appraisers, one to be appointed by the board, one by the person interested, and a third by the two so appointed. The finding of a majority of such appraisers shall be final and binding upon both parties.

SEC. 11. That the board, if in its judgment such action is necessary to carry out the purposes of this act, may form under the laws of the District of Columbia one or more corporations for the purchase, construction, equipment, lease, charter, maintenance, and operation of merchant vessels in the commerce of the United States. The total capital stock thereof shall not exceed \$50,000,000. The board may, for and on behalf of the United States, subscribe to, purchase, and vote not less than a majority of the capital stock of any such corporation, and do all other things in regard thereto necessary to protect the interests of the United States and to carry out the purposes of this act. The board, with the approval of the President, may sell any or all of the stock of the United States in such corporation, but at no time shall it be a minority stockholder therein.

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At the expiration of five years from the conclusion of the present European war the operation of vessels on the part of any such corporation in which the United States is then a stockholder shall cease and the said corporation stand dissolved. The date of the conclusion of the war shall be declared by proclamation of the President. The vessels and other property of any such corporation shall revert to the board. The board may sell, lease, or charter such vessels as provided in section seven and shall dispose of the property other than vessels on the best available terms and, after payment of all debts and obligations, deposit the proceeds thereof in the Treasury to its credit. All stock in such corporations owned by others than the United States at the time of dissolution shall be taken over by the board at a fair and reasonable value and paid for with funds to the credit of the board. In case of disagreement, such value shall be determined in the manner provided in section ten.

Sec. 12. That any vessel purchased, leased, or chartered from the board may be listed by the Secretary of the Navy as a vessel of the United States Naval Auxiliary Reserve. The officers and members of the crew of any such listed vessel who volunteer for the purpose and are citizens of the United States or its insular possessions may, under regulations prescribed by the Secretary of the Navy, be enrolled in various ranks and ratings corresponding to those of the United States Navy, not above the rank of lieutenant commander, as members of any naval reserve force established by law.

Sec. 13. That the board shall investigate the relative cost of building merchant vessels in the United States and in foreign maritime countries, and the relative cost, advantages, and disadvantages of operating in the foreign trade vessels under United States registry and under foreign registry. It shall examine the navigation laws of the United States and the rules and regulations thereunder, and make such recommendations to the Congress as it deems proper for the amendment, improvement, and revision of such laws, and for the development of the American merchant marine. It shall investigate the legal status of mortgage loans on vessel property, with a view to means of improving the security of such loans and of encouraging investment in American shipping.

It shall, on or before the first day of December in each year, make a report to the Congress, which shall include its recommendations and the results of its investigations, a summary of its transactions, and a statement of all expenditures and receipts under this act, and of the operations of any corporation in which the United States is a stockholder, and the names and compensation of all persons employed by the board.

Sec. 14. That for the purpose of carrying out the provisions of sections five and eleven no expenditure shall be made nor liability incurred exceeding a total of \$50,000,000 and the Secretary of the Treasury, upon the request of the board, approved by the President, shall from time to time issue and sell or use any of the bonds of the United States now available in the Treasury under the acts of August fifth, nineteen hundred and nine, February fourth, nineteen hundred and ten, and March second, nineteen hundred and eleven, relating to the issue of bonds for the construction of the Panama Canal, to a total amount not to exceed \$50,000,000: *Provided*, That any bonds issued and sold or used under the provisions of this section may be made payable at such time within fifty years after issue as the Secretary of the Treasury may fix, instead of fifty years after the date of issue, as prescribed in the act of August fifth, nineteen hundred and nine.

The proceeds of such bonds and the net proceeds of all sales, charters, and leases of vessels and of sales of stock made by the board, and all other moneys received by it from any source, shall be covered into the Treasury to the credit of the board, and are hereby permanently appropriated for the purpose of carrying out the provisions of sections five and eleven.

Sec. 15. That no common carrier by water shall directly or indirectly—

First. Pay, or allow, or enter into any combination, agreement, or understanding, express or implied, to pay or allow, a deferred rebate to any shipper. The term "deferred rebate" in this act means a return of any portion of the freight money by a carrier to any shipper as a consideration for the giving of all or any portion of his shipments to the same or any other carrier, or for any other purpose, the payment of which is deferred beyond the period for which computed and is made only if, during both the period for which computed and the period of deferment, the shipper has complied with the terms of the rebate agreement or arrangement.

Second. Use a fighting ship either separately or in conjunction with any other carrier, through agreement or otherwise. The term "fighting ship" in this act means a vessel used in a particular trade by a carrier or group of carriers for the purpose of excluding, preventing, or reducing competition by driving another carrier out of said trade.

Third. Retaliate against any shipper by refusing, or threatening to refuse, space accommodations when such are available, or resort to other discriminating or unfair methods, because such shipper has patronized any other carrier or has filed a complaint charging unfair treatment, or for any other reason.

Fourth. Make any unfair or unjustly discriminatory contract with any shipper based on the volume of freight offered, or unfairly treat or unjustly discriminate against any shipper in the matter of (a) cargo space accommodations or other facilities, due regard being had for the proper loading of the vessel and the available tonnage; (b) the loading and landing of freight in proper condition; or (c) the adjustment and settlement of claims.

Any carrier who violates any provision of this section shall be guilty of a misdemeanor punishable by a fine of not more than \$25,000 for each offense.

SEC. 16. That every common carrier by water, or other person subject to this act, shall file immediately with the board a true copy, or, if oral, a true and complete memorandum, of every agreement with another such carrier or other person subject to this act, or modification or cancellation thereof, to which it may be a party or conform in whole or in part, fixing or regulating transportation rates or fares; giving or receiving special rates, accommodations, or other special privileges or advantages; controlling, regulating, preventing, or destroying competition; pooling or apportioning earnings, losses, or traffic; allotting ports or restricting or otherwise regulating the number and character of sailings between ports; limiting or regulating in any way the volume or character of freight or passenger traffic to be carried; or in any manner providing for an exclusion, preferential, or cooperative working arrangement. The term "agreement" in this section includes understandings, conferences, and other arrangements.

The board may by order disapprove, cancel, or modify any agreement, or any modification or cancellation thereof, whether or not previously approved by it, that it finds to be unjustly discriminatory or unfair as between carriers, shippers, exporters, importers, or ports, or between exporters from the United States and their foreign competitors, or to operate to the detriment of the commerce of the United States, or to be in violation of this act, and shall approve all other agreements, modifications, or cancellations.

Agreements existing at the time of the organization of the board shall be lawful until disapproved by the board. It shall be unlawful to carry out any agreement or any portion thereof disapproved by the board.

All agreements, modifications, or cancellations made after the organization of the board shall be lawful only when and as long as approved by the board, and before approval or after disapproval it shall be unlawful to carry out in whole or in part, directly or indirectly, any such agreement, modification, or cancellation.

Every agreement, modification, or cancellation lawful under this section shall be excepted from the provisions of the act approved July second, eighteen hundred and ninety, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," and amendments and acts supplementary thereto, and the provisions of sections seventy-three to seventy-seven, both inclusive, of the act approved August twenty-seventh, eighteen hundred and ninety-four, entitled "An act to reduce taxation, to provide revenue for the Government, and for other purposes," and amendments and acts supplementary thereto.

Whoever violates any provision of this section shall be liable to a penalty of \$1,000 for each day such violation continues, to be recovered by the United States in a civil action.

SEC. 17. That it shall be unlawful for any common carrier by water or other person subject to this act, either alone or in conjunction with any other person, directly or indirectly—

First. To make or give any undue or unreasonable preference or advantage to any particular person, locality, or description of traffic in any respect whatsoever, or to subject any particular person, locality, or description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever.

Second. To allow any person to obtain transportation for property at less than the regular rates then established and enforced on the line of such carrier, by

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means of false billing, false classification, false weighing, false report of weight, or by any other unjust or unfair device or means.

Third. To induce, persuade, or otherwise influence any marine insurance company or underwriter, or agent thereof, not to give a competing carrier by water as favorable a rate of insurance on vessel or cargo, having due regard to the class of vessel or cargo, as is granted to such carrier or other person subject to this act.

SEC. 18. That no common carrier by water in foreign commerce shall demand, charge, or collect any rate, fare, or charge which is unjustly discriminatory between shippers or ports, or unjustly prejudicial to exporters of the United States as compared with their foreign competitors. Whenever the board finds that any such rate, fare, or charge is demanded, charged, or collected it may alter the same to the extent necessary to correct such unjust discrimination or prejudice and make an order that the carrier shall discontinue demanding, charging, or collecting any such unjustly discriminatory or prejudicial rate, fare, or charge.

Every such carrier and every other person subject to this act shall establish, observe, and enforce just and reasonable regulations and practices relating to or connected with the receiving, handling, storing, or delivering of property. Whenever the board finds that any such regulation or practice is unjust or unreasonable it may determine, prescribe, and order enforced a just and reasonable regulation or practice.

SEC. 19. That every common carrier by water in interstate commerce shall establish, observe, and enforce just and reasonable rates, fares, charges, classifications, and tariffs, and just and reasonable regulations and practices relating thereto and to the issuance, form, and substance of tickets, receipts, and bills of lading, the manner and method of presenting, marking, packing, and delivering property for transportation, the carrying of personal, sample, and excess baggage, the facilities for transportation, and all other matters relating to or connected with the receiving, handling, transporting, storing, or delivering of property.

Every such carrier shall file with the board and keep open to public inspection, in the form and manner and within the time prescribed by the board, the maximum rates, fares, and charges for or in connection with transportation between points on its own route; and if a through route has been established, the maximum rates, fares, and charges for or in connection with transportation between points on its own route and points on the route of any other carrier by water.

No such carrier shall demand, charge, or collect a greater compensation for such transportation than the rates, fares, and charges filed in compliance with this section, except with the approval of the board and after ten days' public notice in the form and manner prescribed by the board, stating the increase proposed to be made; but the board for good cause shown may waive such notice.

Whenever the board finds that any rate, fare, charge, classification, tariff, regulation, or practice, demanded, charged, collected, or observed by such carrier is unjust or unreasonable, it may determine, prescribe, and order enforced a just and reasonable maximum rate, fare, or charge, or a just and reasonable classification, tariff, regulation, or practice.

SEC. 20. That whenever a common carrier by water in interstate commerce reduces its rates on the carriage of any species of freight to or from competitive points below a fair and remunerative basis with the intent of driving out or otherwise injuring a competitive carrier by water, it shall not increase such rates unless after hearing the board finds that such proposed increase rests upon changed conditions other than the elimination of said competition.

SEC. 21. That it shall be unlawful for any common carrier by water or other person subject to this act, or any officer, receiver, trustee, lessee, agent, or employee of such carrier or person, or for any other person authorized by such carrier or person to receive information, knowingly to disclose to or permit to be acquired by any person other than the shipper or consignee, without the consent of such shipper or consignee, any information concerning the nature, kind, quantity, destination, consignee, or routing of any property tendered or delivered to such common carrier or other person subject to this act, for transportation in interstate or foreign commerce, which information may be used to the detriment or prejudice of such shipper or consignee, or which may improperly disclose his business transactions to a competitor, or which may be used to the detriment or prejudice of any carrier; and it shall also be unlawful

for any person to solicit or knowingly receive any such information which may be so used.

Nothing in this act shall be construed to prevent the giving of such information in response to any legal process issued under the authority of any court of a State or of the United States, or to any officer or agent of the Government of the United States, or of any State, Territory, District, or possession thereof, in the exercise of his powers, or to any officer or other duly authorized person seeking such information for the prosecution of persons charged with or suspected of crime, or to another carrier, or its duly authorized agent, for the purpose of adjusting mutual traffic accounts in the ordinary course of business of such carriers.

SEC. 22. That the board may require any common carrier by water, or other person subject to this act, or any officer, receiver, trustee, lessee, agent, or employee thereof, to file with it any periodical or special report, or any account, record, rate, or charge, or any memorandum of any facts and transactions appertaining to the business of such carrier or other person subject to this act. Such report, account, record, rate, charge, or memorandum shall be under oath whenever the board so requires, and shall be furnished in the form and within the time prescribed by the board. Whoever fails to file any report, account, record, rate, charge, or memorandum as required by this section shall forfeit to the United States the sum of \$100 for each day of such default.

Whoever willfully falsifies, destroys, mutilates, or alters any such report, account, record, rate, charge, or memorandum, or willfully files a false report, account, record, rate, charge, or memorandum shall be guilty of a misdemeanor, and subject upon conviction to a fine of not more than \$1,000, or imprisonment for not more than one year, or to both such fine and imprisonment.

SEC. 23. That any person may file with the board a sworn complaint setting forth any violation of this act by a common carrier by water, or other person subject to this act, and asking reparation for the injury, if any, caused thereby. The board shall furnish a copy of the complaint to such carrier or other person, who shall, within a reasonable time specified by the board, satisfy the complaint or answer it in writing. If the complaint is not satisfied the board shall, except as otherwise provided in this act, investigate it in such manner and by such means, and make such order as it deems proper. The board, if the complaint is filed within two years after the cause of action accrued, may direct the payment, on or before a day named, of full reparation to the complainant for the injury caused by such violation.

The board, upon its own motion, may in like manner and, except as to orders for the payment of money, with the same powers, investigate any violation of this act.

SEC. 24. Orders of the board relating to any violation of this act shall be made only after full hearing, and upon a sworn complaint or in proceedings instituted of its own motion.

All orders of the board other than for the payment of money made under this act shall continue in force for such time, not exceeding two years, as shall be prescribed therein by the board, unless suspended, modified, or set aside by the board or any court of competent jurisdiction.

SEC. 25. That the board shall enter of record a written report of every investigation made under this act in which a hearing has been held, stating its conclusions, decision, and order, and, if reparation is awarded, the findings of fact on which the award is made, and shall furnish a copy of such report to all parties to the investigation.

The board may publish such reports in the form best adapted for public information and use, and such authorized publications shall, without further proof or authentication, be competent evidence of such reports in all courts of the United States and of the States, Territories, Districts, and possessions thereof.

SEC. 26. That the board may reverse, suspend, or modify, upon such notice and in such manner as it deems proper, any order made by it. Upon application of any party to a decision or order it may grant a rehearing of the same or any matter determined therein, but no such application for or allowance of a rehearing shall, except by special order of the board, operate as a stay of such order.

SEC. 27. That for the purpose of investigating alleged violations of this act, the board may by subpoena compel the attendance of witnesses and the production of books, papers, documents, and other evidence from any place in the United States at any designated place of hearing. Subpoenas may be

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signed by any commissioner, and oaths or affirmations may be administered, witnesses examined, and evidence received by any commissioner or examiner, or, under the direction of the board, by any person authorized under the laws of the United States or of any State, Territory, District, or possession thereof to administer oaths. Persons so acting under the direction of the board and witnesses shall, unless employees of the board, be entitled to the same fees and mileage as in the courts of the United States. Obedience to any such subpoena shall, on application by the board, be enforced as are orders of the board other than for the payment of money.

SEC. 28. That no person shall be excused, on the ground that it may tend to incriminate him or subject him to a penalty or forfeiture, from attending and testifying, or producing books, papers, documents, and other evidence, in obedience to the subpoena of the board or of any court in any proceeding based upon or growing out of any alleged violation of this act; but no natural person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing as to which, in obedience to a subpoena and under oath, he may so testify or produce evidence, except that no person shall be exempt from prosecution and punishment for perjury committed in so testifying.

SEC. 29. That in case of violation of any order of the board, other than an order for the payment of money, the board, or any party injured by such violation, or the Attorney General, may apply to a district court having jurisdiction of the parties; and if, after hearing, the court determines that the order was regularly made and duly issued, it shall enforce obedience thereto by a writ of injunction or other proper process, mandatory or otherwise.

SEC. 30. That in case of violation of any order of the board for the payment of money the person to whom such award was made may file in the district court for the district in which such person resides, or in which is located any office of the carrier or other person to whom the order was directed, or in which is located any point of call on a regular route operated by the carrier, or in any court of general jurisdiction of a State, Territory, District, or possession of the United States having jurisdiction of the parties, a petition or suit setting forth briefly the causes for which he claims damages and the order of the board in the premises.

In the district court the findings and order of the board shall be prima facie evidence of the facts therein stated, and the petitioner shall not be liable for costs, nor shall he be liable for costs at any subsequent stage of the proceedings unless they accrue upon his appeal. If a petitioner in a district court finally prevails, he shall be allowed a reasonable attorney's fee, to be taxed and collected as part of the costs of the suit.

All parties in whose favor the board has made an award of reparation by a single order may be joined as plaintiffs, and all other parties to such order may be joined as defendants, in a single suit in any district in which any one such plaintiff could maintain a suit against any one such defendant. Service of process against any such defendant not found in that district may be made in any district in which is located any office of, or point of call on a regular route operated by, such defendant. Judgment may be entered in favor of any plaintiff against the defendant liable to that plaintiff.

No petition or suit for the enforcement of an order for the payment of money shall be maintained in a district or State court unless filed within one year from the date of the order.

SEC. 31. That the venue and procedure in the courts of the United States in suits brought to enforce, suspend, or set aside, in whole or in part, any order of the board shall, except as herein otherwise provided, be the same as in similar suits in regard to orders of the Interstate Commerce Commission, but such suits may also be maintained in any district court having jurisdiction of the parties.

SEC. 32. That whoever violates any provision of this act, except where a different penalty is provided, shall be guilty of a misdemeanor, punishable by fine of not to exceed \$5,000.

SEC. 33. That this act shall not be construed to affect the power or jurisdiction of the Interstate Commerce Commission, nor to confer upon the board concurrent power or jurisdiction over any matter within the power or jurisdiction of such commission; nor shall this act be construed to apply to intrastate commerce.

SEC. 34. That if any provision of this act, or the application of such provision to certain circumstances, is held unconstitutional, the remainder of the

act, and the application of such provision to circumstances other than those as to which it is held unconstitutional, shall not be affected thereby.

SEC. 35. That for the fiscal year ending June thirtieth, nineteen hundred and seventeen, the sum of \$100,000 is hereby appropriated, out of any moneys in the Treasury of the United States not otherwise appropriated, for the purpose of defraying the expenses of the establishment and maintenance of the board, including the payment of salaries herein authorized.

The CHAIRMAN. The House hearings upon this subject were quite extensive and covered very nearly every feature of the bill. I think there were very few amendments made to the bill upon the floor of the House.

The purpose of this hearing is to enable anyone interested who wishes to be heard, and who did not have the opportunity to be heard before the House committee, now to present his views. Of course, that does not mean that we will not hear any gentleman who has testified before the House, provided he has something supplementary to the statement that was submitted to that committee.

STATEMENT OF MR. WINTHOP L. MARVIN, REPRESENTING A SPECIAL COMMITTEE ON MERCHANT MARINE, BOSTON CHAMBER OF COMMERCE.

The CHAIRMAN. Will you state your full name, your address, and the interest that you are speaking for?

Mr. MARVIN. My name is Winthrop L. Marvin, No. 683 Atlantic Avenue, Boston, Mass. I am speaking, as my friend, Mr. Blodgett, will speak, as a member of the special committee on the merchant marine of the Boston Chamber of Commerce.

The committee has considered this shipping bill and has adopted a report upon it under the date of March 25. That report was duly examined and approved by the directors of the chamber of commerce and transmitted to Washington—I have a copy of it here—as expressing the views of the chamber, but no member of our committee or representatives of the chamber appeared before the House committee. This is our first appearance in Washington in connection with this legislation.

The CHAIRMAN. You did have an appointment, but found yourselves unable to keep it?

Mr. MARVIN. Yes, sir; it was suggested to us that we appear before the House committee, but no member of the chamber of commerce committee was able to come to Washington at that time. The opportunity was given, however.

We come, Mr. Blodgett, and I, not at all as obstructionists. We believe, the Boston Chamber of Commerce, and the business men of New England believe, that there is a real crisis and such an emergency before the country that the need of some legislation is imperative. We come not as opposing this bill that is before you. There are many features of it that we approve, that our report has commended, and that the directors of the chamber have indorsed. We believe that the establishment of a great shipping board at this time might be of immeasurable value to the commerce of the country, provided the powers of the board were limited in some reasonable way. We heartily approve of the recognition that the bill gives to the naval reserve of the United States in authorizing the Government to transfer by charter to private shipowners vessels that may

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not be needed in the public service at the present time. We approve that clause of the bill that seeks to enroll in a naval reserve competent citizen officers and men on merchant ships.

Our objection to the bill is to those features that embody Government ownership, operation, and the regulation of rates, and that objection is not at all partisan in its nature. I happen myself to be a Republican, but the committee of the chamber, which considered this bill, was made up in part of Republicans and in part of Democrats. The chamber itself is one of the greatest commercial organization in the country, the greatest commercial organization in the city of Boston, and its membership is made up of both Republicans and Democrats.

In our consideration of the matter, which extended over some weeks and was very careful, we found that the opinions of the Democratic members of the Boston committee were exactly our opinions; there was no difference whatever. Everyone of us was desirous, if possible, of approving this legislation—that is, our feeling toward it is exactly the feeling of all Americans regardless of party toward the great foreign policies that confront this administration. The natural inclination of every American is to stand by the President and by his administration and support the majority party in this country if it is possible so to do.

We object to Government operation and ownership and to Government participation in what is distinctly a private business, exactly as the lumber mills of your own State, Senator, [Mr. Simmons] might object to the coming into North Carolina of the Government as owner and operator, say, of lumber mills, acquiring a strong connection with the lumber manufacturing interests of your State and operating them at Government expense without any necessity of making a profit. I think such a course as that would be very earnestly resented.

I think if the Government of the United States went into the State of Alabama and purchased a large proportion of the cotton-growing area and entered into the cotton-growing business without the necessity of making a profit and with the whole force of the Treasury and the prestige of the Government behind it, it would be very earnestly opposed, and very justly opposed, by the cotton planters of Alabama without regard to their political affiliations.

That is our own feeling toward this bill. We object to the principle of Government ownership. We fear that the effects of Government ownership and operation in this bill would mark an advance toward Government acquisition of other purely commercial enterprises.

The CHAIRMAN. Does that mean that you approve of the balance of the bill?

Mr. MARVIN. Our objection lies against Government ownership and operation and against the minute regulation of ocean freight rates provided in the further sections of the bill—with respect to which I was going on to speak.

The shipping business—as we know it in New England, and as it has been known for 200 years as one of our greatest characteristic industries—is a commercial business like anything else. Shipping is practically identical with the business of a factory. Its product is

the service which it renders, its transportation. We have the capital in New England, we have the skill in New England, and we have the inherited tendency of more than two centuries toward the sea. Our people are competent financially and otherwise to enter upon a large scale into the ocean shipowning business. I had the honor some years ago to serve as secretary of the Merchant Marine Commission, of which Senator Gallinger was chairman. That commission drew up a definite plan of policy for the United States. It offered, as you will recall, two kinds of subsidy—a mail subsidy and a general subsidy to cargo vessels. The question was distinctly asked, after that program was drawn up, of the bankers, merchants, and manufacturers of Boston, New York, and other American cities, whether, if legislation was enacted, they would put their money into the shipping business? They all answered that they would. It is the lack of some form of national protection and encouragement that has brought our shipping to its present state. All of our other industries are protected either by the deliberate protection of the Republican tariff law or by the incidental protection of such a law as has just been enacted, which leaves a very considerable degree of tariff protection to most of our great national industries.

The CHAIRMAN. Then, do I understand you as suggesting mail subvention and general subsidies as your method of reviving or rehabilitating the American merchant marine?

Mr. MARVIN. That is the method favored by the Boston Chamber of Commerce. It would not be fair for us to come here and object to Government ownership and operation, unless we had a very clear idea of a possible alternative.

Senator JONES. Did they consider the matter of discriminating duties?

Mr. MARVIN. The chamber has not considered the policy of discriminating duties. Personally, I would like to see the system tried. I am familiar with the bill you have just introduced, Senator Jones. I have always desired that that policy should have a fair trial. I believe that a policy of fair, reasonable, cautious subsidies, and a system of preferential duties should both be tried before we resort to the very unusual expedient of Government ownership, which has been applied with success by not one of the maritime nations of the world.

Senator FLETCHER. As to the present mail contracts, favorable as mail subvention goes—is that not reasonable?

Mr. MARVIN. The present mail contracts are entirely successful on the short lines of transportation to the West Indies, and to the near-by portions of South America, but they are insufficient, as the experience of 20 years has proven, on the long routes to Europe and to the Orient.

Senator JONES. Can you state why?

Mr. MARVIN. The compensation per mile—\$2 per mile on second-class steamships with a speed of 16 knots—is not sufficient compensation for the service rendered. The mail subsidies have failed on these long routes for the same reason that you would fail if you offered contractors a sum for building a public building in the State of Washington that would not cover the cost of building. It is a pure matter of dollars and cents. If Congress had accepted the bill that Senator

Gallinger sought for so many years to enact, there would unquestionably be steamships in operation to South America to-day, and to the Orient, and it is the refusal to grant that legislation that is responsible for the crisis that confronts us to-day.

The CHAIRMAN. His proposition was to pay the second-class vessels the same compensation per mile allowed first-class vessels under the act of 1891?

Mr. MARVIN. Yes, sir; that was the proposition.

The CHAIRMAN. That is your proposition now?

Mr. MARVIN. That is our proposition now, as recommended in our report, transmitted to Senators and Representatives some weeks ago. We would like to see enacted that bill which you will remember passed the Senate and passed the house and was defeated by a filibuster in the Senate at the very end of the session, but which passed the Senate subsequently.

The CHAIRMAN. I have read somewhere, I do not now recall where, that some chamber of commerce—probably it was the National Chamber of Commerce—suggested instead of an increase in the compensation of vessels of the second class a reduction of the speed limit prescribed by the act of 1891.

Mr. MARVIN. Yes, Senator; but it would not give the United States the expeditious mail service that it should have.

The CHAIRMAN. I understood your suggestion was based upon the idea that the 16-knot vessels were not employed in the South American trade, and are not probably necessary in that trade.

Mr. MARVIN. Until a few years ago there were no vessels with a speed of 16 knots employed in the mail, passenger, and fast-freight service from Europe to South America, but numerous vessels of that type were in that service at the opening of the present war, and if the United States is to have a mail service to South America, it ought to be equal, and possibly superior, to that enjoyed by any European nation. On the routes to the Orient the Japanese steamers that ply from San Francisco to China and Japan have a speed of 21 knots, so that a 14-knot American mail service to the Orient would be wholly inadequate. It would be wholly inadequate to South America at the present time.

Senator FLETCHER. You appreciate the necessity of something being done. Suppose we assume for the moment that it is impossible to get Congress to favor such subsidy program as you mention. What are we to do then?

Mr. MARVIN. Well, Senator, as a Republican, I am willing to surrender a whole lot of my prejudice to secure effective legislation. I am not an actual advocate of the preferential duty, but I would prefer it and support it, and I think most of those with whom I am acquainted would, in preference to a Government ownership and operation proposition. We offer the alternative of mail subsidies and carefully guarded general subsidies and the alternative of discriminative duties as embodied in the bill of the Senator from Washington. We would approve either measure in preference to this one.

Senator FLETCHER. Does not this five-year limitation cure some of your objections to Government operation?

Mr. MARVIN. Well, our objection to the Government ownership and operation feature of this bill is fundamental. It is a matter of

deep-seated principle. We fear, as I have said, the result of setting such an example. We fear it would be the entering wedge to State socialism. We think such a plan as that ought to be adopted only as the last resort, and on that point of subsidy—

Senator JONES (interposing). In line with that suggestion, as limited to five years, is that not a mere makeshift policy?

Mr. MARVIN. It leaves the Government in the position of owning ships, and in the position of a general broker in the market with ships to let here, there, and everywhere. I think that would be unfortunate and unnecessary. I think the Government can secure its naval auxiliaries by the other means that I have suggested.

The CHAIRMAN. Do you think that the five-year limitation, properly interpreted, means that the Government will endeavor to help in the immediate situation by assisting private capital in securing ships?

Mr. MARVIN. I have no doubt that that is the honest purpose of those who framed the amendment, or of those who framed the entire bill, but it seems to us that it is unnecessary to resort to that expedient when this other plan can be adopted that will not involve our Nation in a long step toward socialism, as it seems to those of us who object to it would be the case.

The CHAIRMAN. I notice in the recommendation of the Chamber of Commerce of the United States that they recommend very highly the plan of the Government creating a corporation for the purpose of loaning money to private individuals or corporations to aid in the construction of vessels?

Mr. MARVIN. Yes, sir.

The CHAIRMAN. Do you think there is any element of socialism in that suggestion?

Mr. MARVIN. It is a very unusual expedient, surely—a very unusual expedient, indeed.

The CHAIRMAN. Do you think that differentiates itself very radically from the proposition contained in the bill?

Mr. MARVIN. I would like to be excused from the expression of any opinion upon that matter, because I had no part in the framing of that recommendation of the national chamber, and I do not know what considerations prompted those who did frame it. I am not informed upon that.

The CHAIRMAN. Well, that is one of the most, and probably the most, representative business organization in the country, is it not?

Mr. MARVIN. Undoubtedly it is, and its recommendations carry great weight. I was not in attendance at that meeting, and I know nothing of the considerations that were advanced in favor of it.

Senator FLETCHER. That is what France proposes to do now, is it not?

Mr. MARVIN. Well, it was first suggested in France that the Government purchase 50 merchant steamers and operate them at national expense. That plan was abandoned, and now a Government loan of a large number of francs is under consideration—a Government loan to shipowners. I think that would be preferable to Government ownership, although I say it is not one of the plans that I am suggesting to you, and I do not want to be held responsible for the plan proposed by the national chamber.

Senator BANKHEAD. In your opinion, if this bill should pass and the Government should go into the ownership and operation of vessels to the extent this bill provides, what effect would it have upon the private interests engaged in shipbuilding—upon private capital in the building of ships and in the operating of ships?

Mr. MARVIN. I am very sorry to say that it would have a distinctly discouraging effect—upon that point I am speaking of my own personal knowledge and experience. In the city of Boston we have several steamship companies that are operating vessels in the coastwise and foreign trade, and their inclination and ability, under ordinary circumstances, is to increase their fleets as they have been greatly increasing them, but the introduction of this bill has caused the bankers, who are interested in gathering capital for one of those companies, to abandon the effort, which has directly prevented the investment of several millions of dollars of New England capital in cargo-carrying steamers that would be of immense value to the United States in its general export trade and in its coastwise trade.

Mr. Blodgett can speak from direct personal knowledge of another example where the introduction of this bill and the passage of it by the House of Representatives has prevented competent and experienced shipowners from securing capital to increase their over-seas tonnage in the United States. It is not a matter that we have heard from a distance, but it is a matter of our own experience in our own community, and it is one reason why we are here before you to oppose the feature of Government ownership and operation of merchant vessels, because we know from our own knowledge that instead of increasing the merchant fleet of the United States as it is operating today, it would decrease it, and prevent the construction of vessels for which contracts were almost ready to be let.

Senator BANKHEAD. What knowledge have you of the number of ships that are now on the way toward being constructed by private capital in this country?

Mr. MARVIN. I have the knowledge, which I think is common to all of us, that the shipyards are full; that most of them are unable to undertake the building of new ships, and will not be able before 1917 or 1918. Those ships are building, most of them, distinctly for the coastwise trade. They are ships, however, that could be used at any time in the foreign trade of the United States. A considerable portion of them are being built on foreign account, for Scandinavian or other owners, who, of course, would not be affected directly by this bill. Our shipyards are full of orders, and I think the contracts on hand and in sight in our shipyards would be very much more numerous but for the threat of Government ownership and operation.

Senator BANKHEAD. Can you tell this committee about what would be the cost of, say, a 7,000-ton ship—what it would cost to build it and put it into service?

Mr. MARVIN. It would cost about \$500,000. Ships have been built in this country at as low a rate as \$50 per ton dead weight capacity. The prices have gone up, because the cost of labor has risen and the cost of materials has risen. The \$50,000,000 provided for in this bill would not build a very great fleet at the present cost.

Senator FLETCHER. The situation is—

Senator BANKHEAD. If you will pardon me, I just want to ask one more question. Supposing this bill should pass and the Government

should enter the market to buy ships, could they be bought at anything like—owing to the immense freight charges that they are able to get—could they be bought now at anything like reasonable prices?

Mr. MARVIN. They could not be bought at normally reasonable prices.

Senator BANKHEAD. Our information is that ships frequently carry cargoes across that pay for the cost of the ship; is that true?

Mr. MARVIN. That is true.

Senator BANKHEAD. That being true, I should think they would sell at a pretty high price.

Mr. MARVIN. They would sell at a very high price, and if the Government operated them, it could undoubtedly, for the time being, make money in the operation.

Senator BANKHEAD. If they carry at the same rate as now; but the purpose is to reduce the rate.

Mr. MARVIN. If you bought the ships at the price you would have to pay now, and operated them at a very greatly reduced freight rate, the Government of the United States would be paying the largest subsidy that was ever contemplated. On that point I know there is opposition to subsidy among the party that is now in control of our Government. This bill is a subsidy bill. It is not an out-and-out subsidy bill, but it does exactly for the Government owned and operated ships what the Republican bills have proposed to do for all of the merchant ships of the United States. A subsidy has been sought to offset foreign subsidies and also to offset, as you know, the difference in the cost of operation between American and foreign ships. That same difficulty will confront the Government that has confronted private American shipowners. It will cost more to operate Government-owned American ships than foreign ships. In these times that will make no difference, but in the normal conditions after the war closes it will require a steady payment from the Treasury to make up that difference in the cost of operation and to meet foreign subsidies wherever American ships run against foreign subsidies.

The CHAIRMAN. Upon what basis do you make the statement that when the war is over and normal conditions have been restored it would cost more to operate a Government ship than a privately owned ship under American registry?

Mr. MARVIN. It would cost the difference between the American wage rate and the foreign wage rate, and the difference between the American food scale and the foreign food scale, plus any increased cost that may result from the restrictions of the American navigations laws—I mean the seamen's law particularly.

The CHAIRMAN. But those conditions are incident to private operations as well as to Government operation?

Mr. MARVIN. They are, Senator.

The CHAIRMAN. Where do you differentiate so as to justify your statement that it would cost the Government more to operate than it would cost a private individual?

Mr. MARVIN. I did not make that statement. I believe, however, that it would probably cost the Government more to operate than it would private capital.

The CHAIRMAN. But you said they would be operated at a loss.

Mr. MARVIN. I said that the Government-owned ships would be operated at a loss in the highly competitive carrying trades to ex-

actly the same amount at which privately owned American ships would be operated at a loss—and we know they have been operated at a loss, and that is the reason they have been withdrawn from the service. The Government could not officer and man its ships for any less money.

The CHAIRMAN. Would the cost be any greater to the Government than to privately owned ships?

Mr. MARVIN. It might be no greater. The bills that have been introduced in Congress by Republican Senators have represented an honest desire to span the difference between foreign and American cost of operation. If there have been any errors they have been unintentional. There has been no purpose, so far as I know, in all of these subsidy bills, to guarantee any profits to the shipowner. The purpose of the subsidy has been to equalize conditions and to give the American a fair and equal chance. That has been the purpose of the shipping bill, as I understand, of the Senator from Washington—in other words to give the American shipowner, officer, and sailor an equal chance with the foreign shipowner, officer, and sailor, and to leave it to the shipowner to make his own profit. Identically the same condition will confront you whenever you undertake to operate Government-owned ships. That cost will have to be paid out of the Treasury. It will come out of the Treasury just as directly as an appropriation under a subsidy bill will come out of the Treasury, but there is this difference, that this bill proposes to subsidize only a limited—

The CHAIRMAN. Do not overlook the fact that a private concern engaged in ocean transportation expects and demands a profit. The Government would not expect or demand a profit.

Mr. MARVIN. And the waiving of a profit by the Government, the waiving of, say, a reasonable interest rate would constitute a subsidy to those particular ships. I think it has escaped possibly the attention of those who framed the law, in all good faith and all sincerity, that while in practical effect the Government-ownership plan subsidizes the Government-owned ships against foreign ships, to be sure, it also subsidizes them against the very much greater fleet of American private-owned ships. This is the severest unfairness to the private American shipowners who, under very heavy discouragement, are now striving to keep our flag on the high seas. We have 2,000,000 tons of shipping now registered under the American flag in the foreign trade. The Government-owned ships will engage in competition with that shipping—in general competition. I assume, of course, that the American shipping board contemplated in this bill will not create an American Government steamship service on any route where a regular American steamship service is operated. But it would be absolutely impossible to keep Government-owned cargo vessels from competition with privately owned American ships in the same trades and carrying the same cargoes. That will occur again and again, and the burden on private American enterprise will be very greatly increased. That is one reason, as I have stated, why New England owners who want to put money into ships are refusing to invest, because this bill is pending and because they can not compete against the foreign shipowners, with their low wages and subsidies, and also against the Government of the United States.

This, from our standpoint, is a very serious objection to this law—

Senator JONES. In other words, the result of the passage of this bill would be to leave our ships with the same competition with foreign ships that they already have, with the additional burden of nonprofit Government ships.

Mr. MARVIN. With nonprofit Government ships—competing against the Government. That is a situation that will inevitably arise under this bill, and I am sure that it will lead to the abandonment of this policy by any political party that may be in control of the Government when this fact that we predict develops, as it inevitably will develop.

The CHAIRMAN. It would probably cost five or six hundred millions of dollars to build sufficient American tonnage to supply adequate tonnage to accommodate 60 or 65 per cent of our own foreign commerce?

Mr. MARVIN. Yes, sir.

The CHAIRMAN. Do you think the Government, when it proposes to appropriate only \$50,000,000, indicates a purpose to go into the Government operation of ships? Do you think, if it had that purpose, it would content itself with a small \$50,000,000 appropriation in view of the fact that four or five or six hundred millions would be necessary to reasonably supply the demand?

Mr. MARVIN. The very existence of some Government-owned ships, Senator, would have a discouraging effect on men who would otherwise, under fair and even conditions, invest \$500,000,000 or \$600,000,000 of capital in a privately owned American fleet. For those five years, at any rate, in which Government ownership and operation may be in effect this Government of ours would be gravely discriminating against its own citizens.

The CHAIRMAN. Do you not think that the fact that the Government only proposes at this time to invest this relatively small amount indicates rather a purpose to start the business than to enter permanently in it? Suppose the bill under consideration should become law and the conduct of the Government should quickly demonstrate that it was its policy not to operate but to lease and to charter upon terms that would be attractive to private operators, do you think that would have the depressing effect that you have spoken of upon private capital considering entering this business?

Mr. MARVIN. It would. Capital is sensitive; it is timid. It has made heavy losses for the last 60 years in ocean navigation under the American flag. Some unusual inducement is necessary to bring capital back to the sea, and the very existence of this menace will discourage the investment in shipping with respect to privately owned vessels under the American flag.

The CHAIRMAN. Suppose the Government should say, "We find a very urgent need for ships; we find that private capital is not now invested to any considerable extent in the shipping business; we want to give this movement a start and an impetus, and we propose to build \$50,000,000 of ships and put them at the service of private capital upon reasonable terms," ought that not rather to be regarded as an encouragement?

Mr. MARVIN. It is not a discouragement, but I can not understand—

The CHAIRMAN. Would not that be regarded as a helpful attempt on the part of the Government to aid private operators in securing ships upon favorable terms to meet the present needs for tonnage?

Mr. MARVIN. But it does seem to me to be as much as the Government can do actually to encourage shipping, and that the clause in the bill by which you even propose to go into Government operation of vessels is unnecessary, and could be abandoned, as we urge, without any impairment of the effectiveness of this legislation.

The CHAIRMAN. The point I have in mind is this: If after this bill is passed it shall be demonstrated that that is the policy of the Government—that that is the policy and intent—would that not be as much of an encouragement to those who want to enter into the business and who are handicapped because they have not the capital to build the ships—to invest as the proposition for the Government to loan to private operators \$30,000,000 as suggested in the report of the Chamber of Commerce of the United States, to which I have referred a little while ago?

Mr. MARVIN. Well, Senator, I am a Yankee, and in all good faith I would like to ask, why is Government operation authorized in the bill? Without that you will gain every possible advantage, and with that you are inflicting a very serious disadvantage upon the maritime communities.

The CHAIRMAN. You ask me why that is?

Mr. MARVIN. Yes.

The CHAIRMAN. I assume if the Government builds these ships and can not lease or charter them to private individuals who would operate them it would not want to have its hands tied; it would want them operated.

Mr. MARVIN. But to most of those who live by the sea the proposition of Government operation seems wholly unnecessary, because at this time, and so long as this war continues and possibly for some time afterwards, any ship that can go to sea, whose captain will operate it any price, is sought by hundreds of bidders. If the Government should, by some miracle, become possessed to-day of a hundred sea-going steamers, I believe that all those vessels would be chartered by experienced, capable, and responsible private shipowners within one week.

The CHAIRMAN. I believe that is absolutely true.

Mr. MARVIN. Then what is the need of Government operation if the condition is known? I think it would be a serious menace. Our objection is particularly to that clause or phase of the bill that provides or authorizes or makes possible Government operation of those vessels.

Senator JONES. If this bill is to meet an emergency, how would it meet it now? How would we get ships, and how could the Government get them built even?

Mr. MARVIN. On that point the bill is of no value in this emergency, other than perhaps as containing a certain moral value. It is of no value in this emergency, because all ships that can float—including some vessels that are 60 and 70 years old—have already been brought into use by private capital, and are employed either in the coastwise trade of the United States or in the foreign trade of the United States. Neither the Government of the United States nor any other human agency can provide another ship to-day.

Senator JONES. How about the shipbuilding plants?

Mr. MARVIN. The shipbuilding plants, as I said, are full of orders, every one of them. Old plants have been revived and the best and most efficient shipyards in this country have orders that they can not complete for a year or two, and will take no new contracts before the year 1917 or 1918. It is not possible for the Government of the United States to place any vessel in the commerce of this country, except a few naval colliers and transports that may not be required in time of peace.

The CHAIRMAN. Do you not think it would be a good, helpful thing in the present situation if Mr. Morgan and his associates, or some other great aggregation of capital, should determine to invest a hundred millions of dollars or fifty millions of dollars, as the case may be, in the construction of ocean-going ships for the purpose of selling, leasing, or chartering them for use in our foreign trade? Do you not think that would be a helpful thing, and if so, why not helpful when done by the Government?

Mr. MARVIN. For the remoter future, it would be, Senator.

The CHAIRMAN. If they proposed to do that now, would that not be a great thing?

Mr. MARVIN. It would be—

Senator LIPPITT. Would that accomplish any results at all?

Mr. MARVIN. It would prompt a large increase if Mr. Morgan pledged his word to that, but it would not relieve the present condition at all.

The CHAIRMAN. Why?

Mr. MARVIN. Because those ships could not be used in this emergency.

Senator BANKHEAD. Maybe we can get those ships built abroad?

Mr. MARVIN. All of the foreign yards are more driven than ours. Those foreign orders only come to our country because of the scarcity of labor and the full yards abroad.

The CHAIRMAN. Is there any trouble about our shipyards increasing their capacity so as to meet the additional demand? Suppose Mr. Morgan should go into the market to-morrow for a hundred million dollars of ships, do you suppose there would be any trouble about the shipyards enlarging their capacity very speedily so as to supply that demand?

Mr. MARVIN. The general industrial conditions prevailing in the steel and machinery trades are such that the shipyards could not immediately and greatly increase their facilities. Such construction work requires two or three times as long as it does under normal conditions.

The CHAIRMAN. Have you investigated that matter—and I ask you that because I have been told the contrary. It is my understanding that they could quickly enlarge their plants so as to meet any demand made upon them.

Mr. MARVIN. Well, "quickly" is a relative term. It would not be possible for the shipyards—

The CHAIRMAN. They may not be able to do it quite as quickly as the munition plants have extended their capacity and build new plants.

Mr. MARVIN. Not at all.

The CHAIRMAN. But in a relatively short time they could put themselves in condition to do it, could they not?

Mr. MARVIN. It would not be possible for them to meet any such great increase in demand, and I would remind you that a demand exists to-day for new tonnage. Every steamship company in this country and many in foreign lands have been for months applying to American shipyards for an opportunity to build new ships. The shipyards are full of orders now; they are full of orders up to the level of their present facilities, and are full of orders up to the limit of their enlarged facilities.

The CHAIRMAN. Are they enlarging their plants now?

Mr. MARVIN. They are enlarging their plants wherever it is possible to do so.

The CHAIRMAN. Are they turning down orders?

Mr. MARVIN. They are turning down orders; yes, sir. Every shipyard capable of building ships have turned away many orders.

Senator LIPPITT. If that is so, would it be anything more than spectacular for Mr. Morgan or anybody else to put \$50,000,000 into the shipping industry? Is not money anxious to go into the shipping industry to-day, but can not find the opportunity?

Mr. MARVIN. There is a great deal of capital; yes, sir.

Senator LIPPITT. I would like to ask another question in connection with the question which has been asked you by the chairman. Are you familiar with the labor situation in the shipyards today?

Mr. MARVIN. I am.

Senator LIPPITT. Is it not a fact that there is scarcely a shipyard in the country that is running full because of the impossibility of getting labor?

Mr. MARVIN. That is true.

Senator LIPPITT. I am told there are a few shipyards running at three-fourths of their capacity.

Mr. MARVIN. That is true.

Senator LIPPITT. Because it is impossible to get labor.

Mr. MARVIN. Skilled men can not be secured.

Senator LIPPITT. And that they have scoured the whole United States in an effort to get it?

Mr. MARVIN. That is true.

Senator LIPPITT. So that any regularly existing shipbuilding industry in this country, even if they are not hampered by the difficulty of getting machinery built, would be seriously hampered by the lack of the labor supply?

Mr. MARVIN. New machinery, if immediately or eventually required, could not be manned for a long time. The yards are endeavoring to train their men to the best advantage. They are availing of every possible expedient. In the course of two or three years they may have larger plants.

Senator LIPPITT. You say you are familiar with that situation. Can you give us any statement with regard to any particular shipyard, as to its condition?

Mr. MARVIN. I know that what you say is true of the great shipyard in Boston. The Fore River Shipbuilding Corporation is not able to procure men; it is hampered in the supply of materials, also; it is extending its facilities; it is just completing a great new shop;

and it is constructing an enormous set of ways for the building of heavy ships for the merchant marine or navy of the largest size.

The CHAIRMAN. If the Government, by reason of the inadequacy of our shipyards, is unable to secure the construction of these ships, suppose the method you suggest is adopted, how would private individuals be in a more favorable position with respect to securing these additional ships?

Mr. MARVIN. Private individuals would not be able to do so.

The CHAIRMAN. So that neither this method nor your method would afford any relief?

Mr. MARVIN. It would not afford any immediate relief in the present emergency.

The CHAIRMAN. In the matter of constructing ships, could not one method afford it just as quickly as the other?

Mr. MARVIN. Neither could afford it.

The CHAIRMAN. Would not one afford it just as quickly as the other; if the trouble is a lack of capacity to construct these ships, would we not get them just as quickly by one method as the other method?

Mr. MARVIN. I think not.

Senator LIPPITT. If you could not get it quickly by either method, you would get it as quickly by one as the other.

Mr. MARVIN. Exactly. As I say, no human agency could do it.

The CHAIRMAN. So that is not an objection to this method, because it obtains equally with the other method.

Mr. MARVIN. The objection to this idea of Government ownership and operation is that it is fundamentally wrong.

Senator FLETCHER. How do you reconcile your statements in answer to Senator Lippitt's question that there is private capital ready and waiting, and people interested in shipping anxious to get into the business, with the statement you made some time ago that people were deterred from going into the business and could not get capital on account of the apprehension regarding this bill?

Mr. MARVIN. Both are true. They are not at all irreconcilable. There are investors who are willing to take their chances with this legislation and those who are not. A great deal of capital is ready and willing to go into shipping. It would be greater still if this bill were not before Congress and likely to be enacted. The conditions are thoroughly reconcilable.

The CHAIRMAN. You mean it is ready to go into it provided the Government shall give assistance by subvention or subsidy?

Mr. MARVIN. It is not now altogether contingent upon that, because it is possible for the American shipowners to build vessels primarily for the coast trade which is protected under our old laws. Vessels that are being built in the American shipyards are always being built with an eye to the coastwise trade. They can be used in this emergency, and probably would be used, in the foreign commerce of the United States.

The CHAIRMAN. Here is a document that was sent to the committee by the Commissioner of Navigation, Mr. Chamberlin, purporting to give an account of all vessels that are in process of construction in the shipyards and under contracts for this year. It would seem to me that most of these ships are to be used as special liners or in the

coastwise trade and few of them, relatively, for use in the foreign trade.

Mr. MARVIN. Of all those vessels of a tonnage of more than 2,500—of the steel steamers—all would be available and fit for the foreign trade.

The CHAIRMAN. But are they being constructed for foreign trade?

Mr. MARVIN. They are being constructed for use in either the coastwise or the foreign trade, but with a very firm reliance by the owners of those vessels on the coastwise trade after the war is over.

The CHAIRMAN. That is true. The United States Steel Corporation is building a lot of vessels, and the Standard Oil Co. is building a lot of vessels, and I suppose the sugar people are building some vessels for foreign trade, but are not practically all that are being built now for the coastwise trade or for use in foreign trade in special lines—that is to say, those great corporations are building them for their own private use and to accommodate their own trade.

Mr. MARVIN. That is true of a part of these new vessels, but a very great number of those vessels classified as colliers are general-cargo ships adaptable to almost any form of foreign carriage. Mr. Blodgett here represents a company that has a considerable fleet of colliers that can be used in almost all heavy cargo carrying. A collier—a ship in our nomenclature known as a collier—can take almost any coarse or bulky cargo such as coal, salt, lumber, and sugar. Any of those commodities can be carried in those colliers.

Senator JONES. They are being built under the impetus of this emergency to meet the emergency, with the knowledge that they can go into the coastwise trade when the emergency passes if it is desired to have them do so?

Mr. MARVIN. Yes, sir; if it is so desired. The owners of all of those vessels are depending upon the coastwise trade when the war is over.

The CHAIRMAN. The United States Steel Corporation, as I have said, is building some ships. It is their policy to carry their products in their own vessels.

Mr. MARVIN. Yes, sir; in their own vessels.

The CHAIRMAN. Is that because they think they can do that more cheaply than they could hire cargo space?

Mr. MARVIN. They believe they can conduct their own freighting business more cheaply, as the Standard Oil Co. has apparently believed for many years.

Senator LIPPITT. How do you know that is so?

Mr. MARVIN. It is the frequently declared purpose of the officers.

Senator LIPPITT. You do not know anything about that of your own personal knowledge, do you?

Mr. MARVIN. Not of my own knowledge. The only source of information—

Senator LIPPITT. It is only the same source of information that the public has generally?

Mr. MARVIN. Yes, sir.

Senator FLETCHER. The same is true as to the United Fruit Co.?

Mr. MARVIN. Yes, sir; the United Fruit Co. is in the same position. They believe they can ship their own products more cheaply

than others, and there is also this advantage, that their own ships are always at their own command, which enables them to guarantee delivery.

Senator LIPPITT. That is really the important part of it, is it not?

Mr. MARVIN. Yes, sir. The actual saving of money would be very small, indeed.

The CHAIRMAN. You make a clear differentiation between their ability to operate ships profitably and the ability of the ordinary citizen to operate them profitably.

Mr. MARVIN. The same general maritime conditions confront them, or will confront them after the war.

The CHAIRMAN. They have to comply with all our navigation laws.

Mr. MARVIN. They have to comply with all our navigation laws; and if after the war the cost of employing the American vessels was substantially greater under the American flag than under foreign flags, we would see their whole fleet go under foreign flags, exactly as the International Mercantile Marine transferred to the Belgian flag several years ago three steamers built in the United States because they could be operated more cheaply under the Belgian than under the American flag.

Senator JONES. The United Fruit Co. had many of their vessels under the American flag.

Mr. MARVIN. The Fruit Co. gave up the flag entirely years ago for the reason that their ships could be operated more cheaply under a foreign flag.

Senator LIPPITT. As a matter of fact, with respect to the United Fruit Co., is not almost the entire reason that they run this fleet of vessels the necessity of having the transportation entirely under their control on account of the perishable nature of the cargo which they have to transport, such as bananas, etc.?

Mr. MARVIN. They must have their own ships.

Senator LIPPITT. In the beginning of the construction of that fleet they only had bananas to transport, but since then they have taken on sugar, which is not so perishable.

Mr. MARVIN. No, sir; that is not so perishable.

Senator LIPPITT. The real point was to get the tropical fruits quickly to this country?

Mr. MARVIN. Yes, sir; to get them quickly to this country and to be enabled to guarantee the delivery in their own bottoms.

Senator LIPPITT. But to be able to guarantee delivery?

Mr. MARVIN. Yes, sir.

Senator LIPPITT. It is not a question of their own bottoms, because they have to have their own bottoms to guarantee delivery.

The CHAIRMAN. You say there is a difference in the cost of operating under the American flag and under the British flag. Outside of that difference, could you point out briefly any other handicaps?

Senator JONES. I suggest that it is now 11 o'clock, and our presence is desired upon the floor of the Senate.

(Thereupon, at 11 o'clock a. m., the committee took a recess until 2 o' clock p. m.)

AFTER RECESS.

At 2 o'clock p. m. the committee reassembled, pursuant to the taking of the recess.

STATEMENT OF MR. WINTHROP L. MARVIN, REPRESENTING A SPECIAL COMMITTEE ON MERCHANT MARINE, BOSTON CHAMBER OF COMMERCE—Resumed.

The CHAIRMAN. You may proceed.

Mr. MARVIN. I wish to speak upon one other feature of the bill, and then to give way to my colleague, Mr. Blodgett. The Boston Chamber of Commerce, whom we represent, is opposed to the minute regulation of ocean shipping rates. The ocean shipping business is very different from the railroad shipping business. Conditions are so different that it will be extremely difficult to apply to the ocean shipping business any such regulations as the Interstate Commerce Commission exercises over the railroads. The railroads run all the time in our own domain; they have an exclusive right of way; a competing railroad always has to fight to get into the field against an existing railroad system. On the ocean, the sea, theoretically, is free to all. Any steamship service may at any time be paralleled by a competing service, and into the shipping problem enter also the tramp vessels, steam and sail, that make up a very great majority of the vessels carrying merchandise overseas. Some of those tramp vessels are common carriers—that is, they accept various kinds of freight from various shippers, and they would be subject to the terms of this law if it was enacted in its present form. The immemorial custom of ocean carriers is to fill a vessel as full as possible on a fairly even rate of freight, but—as the time for sailing approaches and if the vessel lacks cargo, either to fill her hull or to give her stability, the necessary stability to navigate the stormy seas—the habit has been in the past to name a very low rate of freight on maybe a few hundred tons of cargo necessary to fill that ship.

Under the provisions of this bill a ship would not be able to make an emergency rate of freight like that which would be essential to prompt sailing on its voyage and essential to safe navigation. It would be impossible to do that under the 10-day notice clause, unless application were made to Washington and the whole circumstances were explained. That would involve delay, and the complexity of such applications coming from many ports to the shipping board at Washington would involve much labor, much more than the framers of the bill imagine.

Another objection in the minds of our people in regard to the regulation of rates on shipping is this, that while it is the intention of Congress, doubtless, or would be the intention of a shipping board, to apply these restrictions to ships of all flags on the same terms, our experience has been that whenever a law restrictive of shipping was enacted, it was enforced in its fullest severity against our own flag and our own ships and often relaxed in the case of ships of foreign Governments which always violently protest against restrictions imposed by our laws.

The CHAIRMAN. You are speaking of ships engaged in foreign commerce?

Mr. MARVIN. Engaged in foreign commerce, practically.

The CHAIRMAN. Do you understand that the board will regulate and fix the rate of ships engaged in foreign trade?

Mr. MARVIN. I understand that the bill empowers the board to do that.

The CHAIRMAN. What section do you find that in?

Mr. MARVIN. In foreign trade.

Senator LIPPITT. Section 19 or 20. Section 20 particularly.

The CHAIRMAN. Those sections have reference to common carriers by water in interstate commerce.

Mr. BLODGETT. Was that not in the bill as introduced but changed when reported?

The CHAIRMAN. Section 20 has reference to common carriers by water in interstate commerce.

Senator LIPPITT. Suppose you read section 18.

The CHAIRMAN. The eighteenth section is the only one that has any reference to vessels engaged in foreign commerce?

Mr. MARVIN. Yes, sir.

The CHAIRMAN. The bill provides:

SEC. 18. That no common carrier by water in foreign commerce shall demand, charge, or collect any rate, fare, or charge which is unjustly discriminatory between shippers or ports, or unjustly prejudicial to exporters of the United States as compared with their foreign competitors. Whenever the board finds that any such rate, fare, or charge is demanded, charged, or collected it may alter the same to the extent necessary to correct such unjust discrimination or prejudice and make an order that the carrier shall discontinue demanding, charging, or collecting any such unjustly discriminatory or prejudicial rate, fare, or charge.

Mr. MARVIN. Yes, sir.

The CHAIRMAN. That does not authorize them, as is done in the case of common carriers in interstate commerce, to fix rates, but only to prevent any unjust discrimination between shippers and ports. I think what you are talking about is a provision with reference to common carriers engaged in interstate commerce. There the powers of regulation are somewhat analogous to those now possessed by the Interstate Commerce Commission.

Senator LIPPITT. Mr. Chairman, does not that section allow the board to fix rates? It certainly does under certain conditions.

The CHAIRMAN. No; it only allows them where the rate fixed is deemed to be unjustly discriminatory to remove the unjust discrimination.

--Senator LIPPITT. Under certain circumstances, would not the circumstances themselves be purely within the province of the board to determine whether they are or not it then allows them to fix rates, etc.

The CHAIRMAN. No; it does not, Senator.

Senator LIPPITT. It says on the top of page 17, line 2—

Senator FLETCHER. I think Mr. Marvin has got his impression from the language of the bill that was introduced. That was changed by the committee.

Mr. MARVIN. My impression—

Mr. BLODGETT. The only change that has been made has been made by interlining a few words. I have the bill as introduced.

Mr. MARVIN. My impression is based on this paragraph that you read, Mr. Chairman. This gives the board, under certain conditions, power to regulate the charges of over-seas carriers.

The CHAIRMAN (reading) :

Whenever the board finds that any such rate, fare, or charge is demanded, charged, or collected it may alter the same to the extent necessary to correct such unjust discrimination or prejudice and make an order that the carrier shall discontinue demanding, charging, or collecting any such unjustly discriminatory or prejudicial rate, fare, or charge.

That is all.

Mr. MARVIN. It seems to me, Senator, as it is—

✓ The CHAIRMAN. But they have no power to prescribe the maximum rate or to interfere with the minimum rate.

Mr. MARVIN. Under certain conditions they would fix the rates—they would regulate the rates—and is it the intent of the committee or of the framers of the bill that the board should fix rates—maximum and minimum rates generally—for interstate carriers in foreign commerce?

The CHAIRMAN. The next section regulates that. It is as follows:

SEC. 19. That every common carrier by water in interstate commerce shall establish, observe, and enforce just and reasonable rates, fares, charges, classifications, and tariffs, and just and reasonable regulations and practices relating thereto and to the issuance, form, and substance of tickets, receipts, and bills of lading, the manner and method of presenting, marking, packing, and delivering property for transportation, the carrying of personal, sample, and excess baggage, the facilities for transportation, and all other matters relating to or connected with the receiving, handling, transporting, storing, or delivering of property.

That is taken from the interstate commerce act.

Mr. MARVIN. Yes.

Senator FLETCHER. Sections 5 and 16 of the interstate commerce act.

The CHAIRMAN. Then, further, "No carriers shall charge or collect a greater compensation for such transportation than the rates, fares, and charges filed in compliance with this section." Now, if they do fix an unreasonable rate, then that can be reviewed by this board.

Mr. MARVIN. Yes; but I think that under the first section read there is a requirement, implied at any rate, that the shipping board shall fix and regulate rates under certain conditions for American and foreign carriers in overseas commerce.

The CHAIRMAN. Only on condition that they may regulate it to the extent of preventing any unjust discrimination between the shippers or ports.

Senator LIPPITT. There are two conditions, are there not?

Senator JONES. Or unjustly prejudicial.

Senator LIPPITT. If it is unjustly discriminatory to shippers or unjustly discriminatory to exporters, those two conditions?

The CHAIRMAN. Yes.

Mr. MARVIN. It is the understanding of the Boston Chamber of Commerce that the shipping board is intrusted, by virtue of that paragraph, with power to regulate freight rates. You see our understanding of it is that the shipping board would be armed with this authority under these conditions, and our fear is that that in effect, as under the seamen's law, for example, the restrictions would be enforced against American vessels and not enforced so readily or fully against foreign vessels. That has been the experience with restrictions heretofore, that the foreigner escapes and the American—

The CHAIRMAN. Do you not understand that the provision we just have been speaking about applies to foreign ships as well of American registry coming into our ports?

Mr. MARVIN. Undoubtedly. Another difficulty we apprehend in connection with regulating rates in both foreign and interstate commerce under this act will be that the shipping board will be overburdened with certain pressing and detailed duties. One of the important responsibilities of the shipping board is to devise and to recommend to Congress legislation of a broad nature to restore, to strengthen, the merchant marine of the United States. That in itself would be a very large responsibility upon any Federal commission. If the shipping board, in addition to those responsibilities, is also to be required to regulate rates as provided in the bill, you are laying upon that commission a heavier task than possibly has been imposed on any other Federal commission. The Interstate Commerce Commission has its hands full and more, as we all know, to enforce the interstate-commerce law. But the Interstate Commerce Commission is not charged with the responsibility of supervising and directing the general economic development of the railroad systems in the United States. When the Interstate Commerce Commission came into existence our railroad systems were a fact, in being. The shipping board will come into existence and find the ocean shipping of the United States, the overseas shipping, still an infant industry, wholly inadequate to our needs, and the problem how best to restore it, how best to strengthen it, will command the best thought of the best men that the Government will be able to procure. That is a matter of detail, but it seems to us of the Boston Chamber of Commerce to be a matter of very great importance.

In concluding what I have to say, I want to emphasize again the circumstances that though we are from New England, and represent as most of us do, the political party not in sympathy with the present national administration, our desire to see some effective legislation now, at this session of Congress, is as strong as can be the desire of any Senator or Representative.

These statements that I have made all represent the opinions of men who look at this question as Americans and not as partisans.

Senator LIPPITT. Had you at a previous point in your testimony indicated the things you thought ought to be done?

Mr. MARVIN. I have, Senator.

Senator LIPPITT. I did not hear the first part of your statement.

Mr. MARVIN. I have indicated our very earnest support of the provision that authorizes a United States shipping board. We are also earnestly in favor, because of the present emergency, of authorizing the Government to place at the disposal of merchants and shippers those naval auxiliaries that may not be required in time of peace.

Senator LIPPITT. You need not go over it.

The CHAIRMAN. You suggested to take the place of this proposition subventions and subsidies, and you would ask some questions about the proposition of a tariff differential in favor of American bottoms.

Mr. MARVIN. Yes, sir.

The CHAIRMAN. You expressed yourself as a little bit doubtful as to whether that policy would prove effective.

Mr. MARVIN. Well, Mr. Chairman, I said that I did not appear to advocate that policy; I could not do so in any representative capacity because it has not been passed upon by the Boston Chamber of Commerce, but I did go on to say that, personally, as an individual, I should like very much to see that system given a fair trial before any resort is had to Government ownership and operation of merchant shipping. I had, as a matter of fact, very great faith that a well-drawn and faithfully administered preferential duty law, administered with courage, would go a long way toward the restoration of our shipping, as one hundred year or more ago it went a long way toward creating our shipping—it was the secret of our early maritime strength.

The CHAIRMAN. You have not investigated that very much, have you?

Mr. MARVIN. I have investigated it very carefully, because I had occasion to write some years ago a history of the merchant marine, and later, as the secretary of the congressional commission, I did give very careful thought and study to that subject.

The CHAIRMAN. Suppose all of our trade treaties were set aside and all nations were free in reference to the imposition of differential rates, and we should adopt the differential system and all the others, leading commercial and industrial nations should do the same. Do you think the situation would be advantageous or disadvantageous to us.

Mr. MARVIN. I believe that on the whole it would be distinctly advantageous to us, because we would secure under those conditions in any event the carrying of the whole volume of our import merchandise.

The CHAIRMAN. Would not our competitors, having ships in our ports, secure all our exports then, or largely so?

Mr. MARVIN. I think they would have to compete very sharply with American shipping for the carrying of the export commerce. I believe that under such conditions some maritime nations might enforce the same policy.

The CHAIRMAN. My question is based on the assumption that we imposed a differential, say of 10 per cent, and England, France, and Germany did the same thing. Now, we have only a small per cent of the ocean shipping of the world, a very small percentage. Would not we be at a great disadvantage in our present condition if the foreign countries I have named and which control a large part of the world's oversea shipping presented a differential in favor of their bottoms?

Mr. MARVIN. I should like to cite our experience in history. In 1789, as you know, we did apply the preferential duty policy. We had then 123,000 tons of shipping registered under the American flag for the foreign trade, and were carrying only 23 per cent in our own vessels. That preferential duty policy gave such an impetus to shipbuilding and navigation in the United States that by the year 1800 we were carrying 90 per cent of our imports and our exports in our vessels, and our shipping had increased to about 600,000 tons. I believe that the same result in all human probability would follow now the application of the same policy. I would be perfectly willing to take my chances.

The CHAIRMAN. I have no question in the world about that unless there was retaliation.

Mr. MARVIN. There was retaliation then.

The CHAIRMAN. On the part of the other industrial nations. If there were retaliation now, I think it would work very much to our disadvantage instead of to our advantage.

Mr. MARVIN. Other nations at that time enforced the same policy; they were protecting and encouraging their shipping in the same manner, and in spite of that we won out.

Senator FLETCHER. What was the differential then, 5 per cent?

Mr. MARVIN. The differential then was 10 per cent. At first it was in the form of a 10 per cent remission on goods imported in American ships, but within a few years, I think in 1792, it was changed by the addition of 10 per cent to the regular rate on goods imported in foreign ships.

Senator FLETCHER. Why was that policy discontinued, Mr. Marvin, if you know?

Mr. MARVIN. It was discontinued largely because of its very great and brilliant success. By the year 1810 our ocean shipping had risen to 981,000 tons; we were carrying more than 90 per cent of our imports and exports. Our merchant marine seemed to be invincible, and in the commercial treaties that followed the making of the peace treaty of Ghent in the year 1815 our statesmen, elated by our apparent mastery of the seas, consented too easily to a form of reciprocity with the British Government by which we permitted British ships to enter our ports coming from the United Kingdom with articles the products of the United Kingdom on the same terms on which American ships were allowed to enter British ports. That reciprocity proved disadvantageous to the United States. It was not immediately accepted by all other countries. The preferential duty policy continued in force until after 1850 to some degree. It was not entirely removed against Great Britain, which of course was our principal competitor, until the year 1849, but gradually other nations did accept our reciprocity and gradually undermined our ocean carrying trade, although the figures of our tonnage grew.

Senator JONES. They accepted our reciprocity when they got in a position to meet us?

Mr. MARVIN. That is true, and Great Britain, seeing she was at a disadvantage in the navigation of sail ships of wood, turned her energies, as you know, to the development of steamships, and subsequently of iron ships, which were maintained by great subsidies.

Senator FLETCHER. You know that question is in litigation now and there is a provision in the present tariff law?

Mr. MARVIN. There is, I know, Senator.

Senator FLETCHER. And the whole question has been tied up in the courts?

Mr. MARVIN. Of course, it is. Of course, we are bound now hand and foot by our commercial treaties.

Senator JONES. That provision does not do away with any of the treaties?

Mr. MARVIN. No, sir.

The CHAIRMAN. In view of your statement, if your chamber of commerce agrees with you that this was such a brilliant success and that there is no reason why it should not be equally as great a success applied now as it was when applied before, why do your people

ignore that and suggest another method, especially in view of the fact that by that method it would not cost the Government anything, and by the method you propose the Government would have annually to pay very large amounts in subsidies?

Mr. MARVIN. Well, Senator, in the first place, I believe, and others believe, that the preferential-duty policy would cost the Government something, probably, in remitted duties in certain cases. How much is a matter of conjecture. And, in the second place, one circumstance that has discouraged the advocacy of the recent preferential-duty policy since 1913, is the circumstance that the legislation that is contained in the tariff law that you were yourself so instrumental in enacting, was set aside apparently by the Treasury Department, submitted to the courts, and not enforced. That has had a discouraging effect upon those who believe in that policy. They feel that the Government of the United States under present conditions of international relationship would not be willing to enforce the preferential-duty policy as fearlessly as it was enforced under Washington, Adams, Jefferson, and Madison.

Senator LIPPITT. During part of that period that you referred to in the increase of our shipping from 1800 to 1810 we had the embargo and our shipping was largely laid up and not in use during that period.

Mr. MARVIN. It was during that period—during the years about 1807 to 1812.

Senator LIPPITT. In fact, our foreign commerce was very much interfered with by those conditions.

Mr. MARVIN. Yes, sir.

Senator LIPPITT. You said just now that paying this preferential duty would cost the Government revenue. Of course, that is one way of looking at it, but if the Government fixed a rate of duty such as it wanted to collect on imported articles and that was settled—rather if they settled in their own mind on a rate of duty that was the rate they wanted fixed on imported articles, and established a rate of duty that was 10 per cent higher than that, what really would happen would be that in the case of American vessels they would get the rate of duty which they desired, and in the case of foreign vessels they would get 10 per cent increase over that rate?

Mr. MARVIN. They would.

The CHAIRMAN. That is not his proposition at all, Senator, as I understand it. The differential proposition does not provide for any increase in the tariff duties if the goods come in in foreign bottoms; it only provides for reduction in the standard duties when they come in American bottoms.

Senator LIPPITT. I think you did not quite understand what I meant, Senator. I meant the thing just as you stated it, only it is the character of the result that ensues that depends upon the rate of duty that is fixed. If, for instance, on a given article you want to collect 10 per cent, and knowing this preferential duty is enforced, you fix a rate of duty of 11 per cent, a rebate of 10 per cent of the duty, which would be 1 per cent increase, of American bottoms—on that you would collect the 10 per cent which you design to collect, and on any merchandise that is imported in foreign vessels you will get 11 per cent instead of 10 per cent; so that matter of whether it costs the Government anything in revenue is entirely in the hands of

the Government to arrange by the method of duty which it fixes. Do I make myself clear?

The CHAIRMAN. The Government would, of course, collect 10 per cent less upon all goods coming in American bottoms than the rate fixed in the tariff act.

Senator LIPPITT. It would do that, or collect 10 per cent more on all imports coming in foreign bottoms. Either way you choose to put it.

Senator JONES. The first law we passed provided that goods imported in American ships should bear a duty of 10 per cent less than the duty fixed. Then they changed that in a few years and provided that all goods brought in foreign bottoms should pay 10 per cent more than the regular rate fixed.

The CHAIRMAN. That is what I have been stating.

Senator JONES. That is what I am in favor of.

The CHAIRMAN. From my standpoint, instead of costing anything, it would just reduce the tariff tax that would have to be paid.

Senator JONES. Bring you in some revenues now?

The CHAIRMAN. It would just reduce the tax on cargo in American bottoms.

Mr. MARVIN. I think it would depend on the details of the legislation, of course.

Senator JONES. Do you not think, Mr. Marvin, that what we really need is some permanent policy under which shipping can be built up, and that if we would provide for a board, possibly not with all the powers given in this bill, but a board that would investigate conditions and make recommendations with reference to whatever changes they deemed necessary to the navigation law, and supplement that with something like a discriminating-duty system, or something else of a permanent character, that it would result in the permanent building up of the merchant marine? In other words, that those people who are now contemplating going into the shipping business, if they had some assurance as to the stability of conditions after this war is over, they would go into it permanently?

Mr. MARVIN. I believe so, Senator.

Senator JONES. And is that not what we really ought to try to devise now?

Mr. MARVIN. I do believe with all my heart that a policy for the upbuilding of our shipping must be permanent, and I should very much like to see it heartily supported by both political parties; because, so long as there is a political division in this country over the question of our merchant marine, so long immensely powerful foreign shipping interests, closely allied with their own Governments, will take advantage of our needs, and have done so for years. Merchant-marine legislation has been defeated in America by the tremendous power exerted by the European steamship organizations in the United States.

Senator FLETCHER. Is there not reason to expect that even if Americans should make investments in ships and undertake because of the business profits that might be made out of it when this war is over, they would likely register their ships under foreign flags and it would still result in our having no American marines, as such, of the United States? Is that not a prospect?

Mr. MARVIN. There is very grave danger of it, Senator. After this war closes our gain will be lost, I fear.

Senator FLETCHER. And is it not very important that a mercantile marine, such as would be adequate to handle our overseas trade, should be a mercantile marine under our flag, owned by Americans, manned by Americans?

Mr. MARVIN. It is all important. We can never rely on shipping under foreign flags, even if it is owned by our own citizens.

Senator JONES. But the question is how can we get it?

Mr. MARVIN. The question is how can we get it.

Senator JONES. If we impose burdens upon our shipping that it can not stand, the owners will either go out of business or transfer to foreign flags, is that not correct?

Mr. MARVIN. Our remedy is—the way to save ourselves is, before the war ends to establish by common consent, if possible, without regard to any political advantage—a system that will give American shipowners, shipbuilders and seamen a fair, even chance in the competition for the world's business. If they have a fair chance and an even chance they will win, because of the superior adaptability of our race to ocean navigation.

Senator FLETCHER. We would know this, anyhow, as far as carrying out the provisions of this bill is concerned, that these ships would be permanently under our flag and constitute a part of a permanent mercantile marine?

Mr. MARVIN. That is true, Senator.

Senator LIPPITT. Which ships are you talking about—do you mean the Government-owned ships?

Senator FLETCHER. All ships provided for under this bill.

Senator LIPPITT. That would be a very insignificant part of our total shipping, would it not?

Mr. MARVIN. It would be a small part of our total shipping, but it is within the power of Congress by wise legislation, between now and the close of the war, to insure the retention under our flag of the ships that have been brought under our flag and ships built on our shores.

The CHAIRMAN. This bill provides that once registered under the American flag they can not be transferred to another flag except without the consent of the board, with the permission of the board.

Mr. MARVIN. May I ask if the bill, in its revised form, does not apply only to ships owned by the Government in that regard?

The CHAIRMAN. I think it does.

Senator FLETCHER. Undoubtedly if this board had the control of ships, even if they chartered or leased them, they have the power to insure those provisions?

Mr. MARVIN. Yes; they have.

Senator FLETCHER. That they shall be operated under the American flag?

Mr. MARVIN. Yes, sir; and it is entirely proper with regard to ships—

Senator LIPPITT. That would apply only to vessels operated under this governmental system. It would not apply to privately owned vessels?

Mr. MARVIN. It would not apply, for example, to the 600,000 tons of foreign shipping which has been brought under our flag in ac-

cordance with the act of August 18, 1914. Those vessels, under our law and under this bill, as I understand it, are free to go back to foreign flags after the war is over.

Senator FLETCHER. What would you estimate the required tonnage for our over-seas trade to be?

Mr. MARVIN. Our registered shipping ought to be from 6,000,000 to 10,000,000 tons.

Senator FLETCHER. And we have at present how much?

Mr. MARVIN. Two million tons.

Senator FLETCHER. I have seen it stated as 1,700 tons.

Mr. MARVIN. Yes.

Senator LIPPITT. Before the war how much was it?

Mr. MARVIN. Before the war it was only 1,000,000 tons of shipping registered.

Senator LIPPITT. Our registered shipping has been doubled since the war began?

Mr. MARVIN. Yes, sir; about 600,000 tons has been admitted to American registry and about 400,000 tons of coastwise shipping has gone into foreign trade.

Senator FLETCHER. How much did the trade of the world probably demand before the war?

Mr. MARVIN. The trade of the world demanded and employed before the war about 50,000,000 tons of merchant shipping.

The CHAIRMAN. And that included all, though?

Mr. MARVIN. That included the shipping under all flags, coastwise as well as over-seas.

Senator FLETCHER. I mean over-seas trade now; it is somewhere about 36,000,000 tons, is it not?

Mr. MARVIN. Somewhere about 36,000,000 tons; yes, sir.

Senator FLETCHER. And about how much of that now is available?

Mr. MARVIN. For our use?

Senator FLETCHER. For the world's use?

Mr. MARVIN. I should say not very much more than half of that, Senator, without having official figures.

Senator LIPPITT. Are there any figures available?

Mr. MARVIN. The Board of Foreign and Domestic Commerce has been making an investigation into that.

Senator FLETCHER. I have seen it stated that only about 12,000,000 tons was now available for the over-seas trade of the world. That would be about one-third of what is really demanded, because that over-seas trade is as great as it was before the war, is it not?

Mr. MARVIN. It is.

Senator BANKHEAD. What do you mean by over-seas trade; from this country to the foreign countries?

Senator FLETCHER. All the world, eliminating coastwise trade, trade on the Great Lakes, etc. In other words, one ship to-day has got to do the work of three ships if the world's trade is carried on.

Mr. MARVIN. I would suggest there, Senator, that while the value of the international trade is nearly the same, the bulk is less than before the war.

Senator LIPPITT. You mean the tonnage is less?

Mr. MARVIN. Yes, sir.

Senator FLETCHER. But is it not a fact that all the ports, not only in our country but practically in every country, and especially in the

Mr. MARVIN. I am speaking also of conditions before the war. The British shipowners, not invariably, but often, have discriminated against the commerce of the United States. I have known of such instances for 20 years. They have never given us fair play, and they never will. There is a shipping combination dominated by Great Britain, in which many French ships were employed, that for many years controlled the very important grain trade from the States of Washington, Oregon, and California to Europe. That concern put no limitation on outward freights to the Pacific coast, but it did require that shipowners in the combination should charge a certain price, a certain higher price, for American grain shipped from the Pacific coast to Europe—

Senator LIPPITT. I suppose that was because they came back partially loaded. They were in the business for the purpose of transporting that grain, I suppose?

Mr. MARVIN. They made their profits out of the American end of the business entirely.

Senator LIPPITT. They had to come back with partial cargoes and do the best they could and get anything they could.

Mr. MARVIN. The effect was to discriminate against the American trade.

Senator LIPPITT. Was that not about the fact? Possibly you might look at it that way, but the same thing occurs at any port where shipping goes for the purpose of getting larger export from that port than there is import trade. Under those conditions vessels always have to come into harbor with a small import trade, with such things as they can get. They have to run partially light. Is that not true?

Mr. MARVIN. The same condition applies to the North Atlantic trade. The Atlantic steamers, as a rule, come into New York and Boston comparatively light and go out heavily laden. But that is not an excuse in our Western States.

Senator LIPPITT. Those vessels which come into the Boston Light, I suppose they compete very severely for any cargo that is coming into Boston?

Mr. MARVIN. Very severely; yes, sir.

Senator LIPPITT. But you have one standard rate for the cargo that goes out?

Mr. MARVIN. Yes; they have a higher rate. I think there is no such a thing as an ironclad agreement as in these other cases I have mentioned, but my point is this, and I think all are agreed to it, that so long as we let foreign shipowners convey our cargoes they are going to serve their national interests.

Senator LIPPITT. The only thing we ought to agree on is facts.

Mr. MARVIN. The only thing we ought to agree on is facts. We then ought to agree on how to best meet that intolerable condition.

The CHAIRMAN. That is always going to happen when you have got to buy your transportation from your competitor?

Mr. MARVIN. Certainly. It is a simple rule of all economic law.

Senator JONES. Some contend that the passage of this legislation will possibly prevent the building of ships by private parties to such a degree as to overbalance the benefit that will come from this bill itself. What do you think about that?

Mr. MARVIN. I feel that will be the case from the experience we had in Boston, to which I briefly referred. We know for a fact that the menace of Government ownership and operation contained in certain sections of this bill does deter capitalists from investing in new shipping to be built not this year, to be sure, or next year, but as soon as the yards can undertake it.

Senator LIPPITT. I have not had a chance to examine this House testimony and I am not sure whether there is contained in this testimony tables showing the figures in regard to the world's shipping, such as Mr. Marvin has given us some account of. If not, and Mr. Marvin is able to give us efficient figures in regard to those things I should like to have them put in, unless the chairman objects. Perhaps they are already in.

The CHAIRMAN. I think they are already given in the House hearings, but if Mr. Marvin desires to tell us his estimate, of course we shall be glad to have him do so.

Senator JONES. Can we not get those figures from the Commissioner of Navigation?

The CHAIRMAN. Yes.

Senator JONES. I should think he could furnish authoritative figures.

Mr. MARVIN. They can be obtained from the Bureau of Navigation or from the Bureau of Foreign and Domestic Commerce. Both of those organizations have been at work on the figures I have referred to, and they should be brought down to date very soon.

Senator LIPPITT. Mr. Marvin, I understand, is very familiar with these hearings. Have those figures been put in the record?

Mr. MARVIN. Certain official figures have been put in the House hearings complete to date now somewhat remote, but true in regard to the earlier stages of the war.

Senator LIPPITT. How remote?

Mr. MARVIN. I think probably down to the 1st of January last. I think they would probably serve every purpose.

The CHAIRMAN. The committee will now hear Mr. Blodgett.

**STATEMENT OF MR. EDWARD E. BLODGETT, 60 FEDERAL STREET,
BOSTON, MASS.**

The CHAIRMAN. Who do you speak for?

Mr. BLODGETT. For the Chamber of Commerce of Boston, as Mr. Marvin does, and wish to indorse everything that my associate, Mr. Marvin, has said.

Senator JONES. What is your business?

Mr. BLODGETT. I am a lawyer, and have been engaged in the admiralty for more than 25 years, so I know something about it from that end.

The fundamental principle of the bill is, namely, Government ownership and operation, irrespective of what we strenuously object to, party politics or anything else. We object to a bill that tends toward socialism, and this bill is distinctly and directly headed that way.

The Boston Chamber of Commerce and nine-tenths of the members of the United States Chamber of Commerce, to whom the question of Government ownership and operation has been referred, have

voted against the bill. That vote has never been questioned and comes from representative business men all over the country, and shows how strongly people throughout the country, apart from their party affiliations, stand upon the question, and I submit that under those circumstances it should not be included in any proposed bill, especially where there is no valid reason for it and where there is no advantage to be gained by it.

The bill before you states its purpose as follows:

To establish a United States shipping board for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve and a merchant marine to meet the requirements of the commerce of the United States with its Territories and possessions and with foreign countries; to regulate carriers by water engaged in the foreign and interstate commerce of the United States; and for other purposes.

In other words, it purports to be a bill for the upbuilding of the merchant marine and for the benefit of the shipowner, but in reality the bill is directly opposed to those purposes. Practically every clause in the bill is in favor of the shipper and against the shipowner. There is not a thing, not a clause in the bill that helps the shipowner or helps an investor to find security for his investment if he puts his money into the building of ships. Every provision is in favor of the shipper and gives a direct benefit to the shipper as against the shipowner, and the shippers of the country are in reality fighting the shipowners through the Government and with the Government's resources.

If you want a bill in favor of the shipper, Government ownership and operation might well be of advantage to him, but if you want a bill for the shipowner, that is an entirely different question, and the Government ownership and operation is a detriment instead of a benefit to the shipowner.

As Mr. Marvin has so well said, the shipping interests of Boston want a shipping board. We want it to equal the board of trade in England and to be as powerful and be as disinterested as that board is. We do not want a partisan shipping board. In this bill it will necessarily be a partisan shipping board, whicherevr party may be in power, because there are two Cabinet members on that board, and therefore the party in power will always have control of the action of the board. We want a nonpartisan board, not affiliated closely with the Government at any time.

Senator JONES. How would you get a nonpartisan board?

Mr. BLODGETT. By appointing them.

Senator JONES. How would you appoint a nonpartisan board? What do you mean by saying that you want a nonpartisan board?

Mr. BLODGETT. We want to have a shipping board as free from political influence as the Supreme Court is, which, of course, is an impossibility if Cabinet members are at all times members of the board and if the board is changed every time the Cabinet is changed. It ought to be composed of men who are picked with a special view to their qualifications in that particular line of business, the same as they always have picked and are always supposed to pick members of the Supreme Court.

While members of the Supreme Court have their party affiliations, as soon as they become members of the Supreme Court they are supposed to drop their active participation in politics. It is the unwrit-

ten law that the Supreme Court shall always base its decisions upon law and not upon politics. The shipping board ought to be in the same position, if it is going to command the respect of the public, and there ought to be no political interference by either party after a competent board is once appointed and commences its duties.

Senator LIPPITT. Do you think it is possible to have a nonpartisan board dealing with partisan questions?

Mr. BLODGETT. I do not think they ought to deal with partisan questions any more than the Supreme Court does.

Senator LIPPITT. After a half century of method and of work, the shipping question, after all, is a partisan question. Simply by appointing a board does not make it nonpartisan.

Mr. BLODGETT. No, sir; it does not, of course.

Senator LIPPITT. And just so long as that question is a political question and a majority of the board represents one party or the other, as they must, inevitably that board must be a partisan board.

Mr. BLODGETT. There must be some politics, more or less.

Senator LIPPITT. A nonpartisan board dealing with partisan questions, it seems to me, is impossible.

Mr. BLODGETT. There should not be, in my judgment, any question as to politics at all in the upbuilding of our merchant marine.

Senator LIPPITT. But there is a question about it.

Senator JONES. There is no fundamental party difference as to the merchant marine, is there?

Mr. BLODGETT. I do not think there is.

Senator JONES. We simply differ as to methods. We all want a merchant marine and all recognize the necessity for it. The only difference is as to the method by which it can be brought about. We differ on party lines more than we ought to, but I do not consider it a party question at all.

Mr. BLODGETT. But we feel if we have any members of the Cabinet on it it will make it still more along party lines.

Senator JONES. The administration of a law ought not to be a party matter at all. Of course it will be if there are members of the Cabinet on it.

Mr. BLODGETT. It will always be, whichever party is in power. It does not make any difference.

Senator FLETCHER. I suggest, Mr. Chairman, without reference to what has gone before, that the committee will save time if it allows Mr. Blodgett to go on and make his statement, and then the committee may ask questions afterwards.

Senator JONES. Except where questions are suggested by the statement of the witness, and it is desired to clear up some matter. Then it seems proper that we should take time to do it.

Senator LIPPITT. Yes; unless there is some question suggested by his statements.

Senator JONES. I think we have his idea as to the nonpartisan board cleared up.

Mr. BLODGETT. The great question for the board to determine is how to build up our merchant marine, and that should be determined by a board familiar with maritime affairs and familiar with business, and it will be their duty to evolve some method to equalize the extra cost of construction and operation in the United States so

that our ships can compete in foreign commerce with the ships of other countries.

What is to be gained at the present time through this bill if it is passed? We all admit that an exigency exists at the present time and that there is a shortage of vessels for the existing carrying trade, not only in foreign but in domestic commerce. To go back just before the war, there was no exigency; we had plenty of boats to carry our coastwise trade and all the foreign trade we could get in competition with foreign owners. We had more than enough, and a large percentage of our tonnage was laid up. To my knowledge they were carrying coal from Norfolk to Boston at 40 cents a ton in barges. Now, we all know that boats can not live at that rate of tonnage, and it would only be a short space of time, if rates remained at that figure, when practically all those engaged in transportation of coal on the north Atlantic coast by barges would have to go into bankruptcy. After the war is over we will undoubtedly come back to the same identical proposition unless some radical change in the law is made which is going to change the conditions under which our merchant marine operates. Government ownership will not change these conditions, except to make more competition. The building of new vessels will not do it. Some way has got to be found in which to do it if our merchant marine is to be built up and permanently maintained. The Boston Chamber of Commerce have outlined what they thought was one way, and the best way, in which to do it. We do not want to obstruct progress—we are trying to construct—and we outlined the course which we thought would overcome the difficulties. Whether it will or not is, of course, a question. This bill, however, would certainly not accomplish the purpose in question, and if this bill is passed and the Government buys, charters, or builds vessels to use in the present exigency, when the war is over there are going to be just so many more vessels to compete in not only the coastwise trade but in the foreign trade; and in the foreign trade, unless a change is made in the existing law, we will have to compete against foreign countries who will give us the keenest competition we have ever had.

After the war is over the laborers will work over there for much less than the present wages in this country. They will build much cheaper; they are prepared and are economical while we are extravagant and not economical. The very fact that we have been making so much money during the war has made us extravagant—more extravagant than we ever were before.

Since the war began all seamen have demanded increase in wages, and a large increase. Why? Because they hear about these large profits that are being made. I know of my own personal knowledge of some fleets of vessels in the coastwise trade that are operating under five-year charters. The increase of wages that the crew have demanded and received since the commencement of the war has brought it almost to a question as to whether or not the owners would tie up their ships entirely rather than run them under that increase. Wages have been increased from 25 to 50 per cent, and it is fair to assume that they will never go back to their old level or anywhere near it.

Senator LIPPITT. What did you say that increase has been; what percentage?

Mr. BLODGETT. For the engineers, about \$60 a month, and they have been asking \$100.

Senator LIPPITT. Have they been getting it?

Mr. BLODGETT. They have got it at times; yes, sir.

Senator LIPPITT. What about the other help?

Mr. BLODGETT. It has been about 25 per cent increase, I think, on the whole.

Senator LIPPITT. Are the going wages of engineers \$100 now?

Mr. BLODGETT. On some coastwise vessels they have had to pay it.

Senator LIPPITT. What is the average of the others?

Mr. BLODGETT. I do not know as to that. I only know as to those I happen to be counsel for.

Senator FLETCHER. The same holds true as to foreign countries does it not—the increase of wages and the cost of material and all that?

Mr. BLODGETT. I do not think the wages have increased over there. I could not say as to that, but I do not believe they have. They have increased on this side. A representative of the Cunard Line in Boston told me the other day that he was paying double for the loading and discharging of his vessel what he had had to pay, and he could not get the men to do it; that the ship was lying there in Boston 24 hours before he could get anyone to work.

Senator LIPPITT. Are there any strike conditions there?

Mr. BLODGETT. No, sir; except the strike of those men. The engineers did not strike because they would lose their license, I believe, if they did strike, but they resigned from the ship, and that had the same effect as a strike.

When the war is over wages here will be much higher than they were before the war, while on the other side, the armies being disbanded, the men coming back from the war will be ready to work at almost any price. They will go to work and give us the keenest kind of competition. I do not care whether the Government is running vessels in foreign trade or an individual. You can not compete against foreign boats if your wages and expenses are away in excess of the wages and expenses that appertain on the foreign boats. The Government, of course, can do it by running their boats at a loss, but if they do it they will in that way give a subsidy to those who charter the Government vessels or to the shippers for whom they run them. As Mr. Marvin has well said, Government ownership might well amount to more than a subsidy if they were operated under such conditions.

As I have already said, there are no vessels except those that are actually in use and operation at the present time. Suppose the Government starts and builds ships. It will take from two to three years at the best to build them, so that course is out of the question. It will be necessary for the Government to go out and either buy or charter vessels at present in use. It will have to buy them at excessively high prices and I know of certain interests who have been purchasing vessels and who expect and intend, if they can, to sell them to the Government and take back a charter which will pay the Government 6 per cent interest on the purchase price. The charterer will then operate the vessels during this period of excessively high freights and make a large profit. After the war is over and freights go back to the old level or anywhere near it they

will decline to renew their charters and the Government will be left with vessels for which it has paid twice their actual value in normal times and without any use for them where they can be made to pay a profit. That is the only way the Government can get vessels at the present time, because I think I am safe in saying that there is not even a wooden tub that can sail or swim but that is in use.

Senator LIPPITT. Why do you say that these people expect to sell them to the Government?

Mr. BLODGETT. Because they have told me so.

Senator LIPPITT. Why should they expect to sell them to the Government; why should they expect the Government to buy those particular vessels?

Mr. BLODGETT. That I can not say.

The CHAIRMAN. What boats are you talking about now?

Mr. BLODGETT. I am talking about Lake boats—certain Lake boats that have been brought down.

Senator LIPPITT. Did those people have any promise or indication that they would be bought?

Mr. BLODGETT. I can not say as to that.

The CHAIRMAN. I was under the impression that if a man had a boat to sell now he could find a purchaser anywhere; that he did not have to wait until the Government passed legislation to buy it.

Mr. BLODGETT. But if the Government buys these boats at this high price those men can recharter them on a 6 per cent basis or a 7 per cent basis, and they can use them during the war and make at least 20 per cent more.

The CHAIRMAN. Are you intimating that this board is going to exercise no judgment and no discretion and are going to pay the prices that individuals would not pay? That would be a poor compliment to the board, it seems to me.

Mr. BLODGETT. If this law passes there will be an outcry among shippers for the board to act and purchase or charter boats, and the board will be forced to take some action if they have the authority.

Senator LIPPITT. You, of course, recognize that this board will hardly fail under those circumstances to fix some rate which they should charge. They would not go ahead and run those boats at 6 per cent, and then permit them to charge prices that would pay them 25, 30, or 40 per cent.

Mr. BLODGETT. The board can not fix rates on bulk cargo carriers. It is an impossibility. The whole vessel has got to be chartered. It can fix rates on lines but if it attempted to fix a low rate on lines it would, of course, give a preference to every merchant whose freight was shipped by that line, and those who were compelled to ship on other lines would be at a distinct disadvantage and the fixing of such a rate would give a preference to certain ships.

Senator LIPPITT. On those lines if they used those boats that are going to be used on those lines, they could possibly fix the rate that would yield the normal income.

Mr. BLODGETT. Yes, sir; if they would put them on those lines and run those lines.

Senator LIPPITT. Suppose they did put them on those lines. Now let me ask you this, in order to do that if they got a rate that was, perhaps, 35 per cent less than the going rate, what effect would that have on merchants who were not able to ship on those cheap lines?

Would it not be to give a preference to every merchant whose freight was accepted on the line?

Mr. BLODGETT. It certainly would.

Senator LIPPITT. So that all of those who are compelled to ship on another line would be at a distinct disadvantage. The mere fixing of a rate would be giving a preference to certain shippers?

Mr. BLODGETT. It certainly would, to certain shippers.

Senator LIPPITT. That would be inevitable, would it not?

Mr. BLODGETT. Yes, sir; and if it was not inevitable to the shippers it would mean that the Government would have to charter it and run it.

The CHAIRMAN. What do you mean by the Government fixing the rate, or the board fixing the rate? I do not understand that there is any authority in the bill for the board to fix the rate unless they found a rate established by the shipping company was an unreasonable rate.

Senator LIPPITT. Would not the board think it was unreasonable if we chartered those boats at 6 per cent and fixed rates that would pay them 25 per cent?

The CHAIRMAN. In determining the question of reasonableness, this board would be governed by the same rules of law that the Interstate Commerce Commission is governed by, subject to review by the courts.

Mr. BLODGETT. The interstate commerce law distinctly, in words, gives authority to fix the rate to the Interstate Commerce Commission.

The CHAIRMAN. Yes; now they have.

Senator LIPPITT. That is the interstate commerce law, as I understand it, although I may be mistaken about it.

The CHAIRMAN. But for a long time the commission simply passed on the question of reasonableness of the rate without any right to fix it. This bill simply permits the board to determine the question of the reasonableness of the rate.

Mr. BLODGETT. Another objection to this bill is that it allows vessels to be transferred to a foreign flag unless the United States is at war or some unusual emergency exists by proclamation of the President. In other words, after the war is over any or all of the vessels in question can be put under a foreign flag and so compete with our own merchant marine at a much less cost of operation.

Now, there is another important matter which appeals to me in this bill, and that is this: I can not conceive that a merchant will ship a valuable cargo in a vessel owned by the United States and chartered to such a corporation as would be likely to be in the business. The United States and the vessel would not be liable to the owner for damages to the vessel or breach of contract. The corporation would be the only one that would be liable. That corporation might be worth nothing or it might be worth a few thousand dollars, and the cargo might be worth a million dollars or more. Insurance companies would either not insure or would want a very high rate under those conditions. There is no authority under the act to sue the United States, and I doubt very much if, under the second paragraph of section 9 of the bill, on page 7, any court would allow a libel to be filed against a vessel owned by the United States and authorize her seizure; but even if I am wrong in this, if the United

States operates the vessels there can not possibly be any right to sue the United States or hold the vessels liable for damage or injury to cargo, nor would such vessels be liable for damage or injury caused to another vessel by collision. This would be a most serious handicap to private owners as well as to those who desire to ship cargoes by Government vessels.

Senator LIPPITT. Is it reasonable to suppose that the Government would charter those vessels to corporations without any capital?

Mr. BLODGETT. I think it is very reasonable to suppose that a corporation organized simply to charter one or two vessels would have a very small capital. If they did not own anything, why should they have a very large capital?

Senator LIPPITT. They should have capital enough to buy their supplies and pay their crews in advance, and freight, etc.

Mr. BLODGETT. \$500, \$1,000, \$2,500, or even \$5,000 would not go anywhere toward a million dollar cargo, and foreign cargoes are worth from half a million dollars to a million dollars.

Senator JONES. What remedy has the shipper now against the private owners?

Mr. BLODGETT. The ship becomes liable the minute the cargo becomes laden on her. The ship itself is security, and the owner is security also, unless he has nothing.

Senator JONES. In this case you would simply have the operating—

Mr. BLODGETT. The operating company, which could be as small as it could possibly be made, and have money enough for paying the crews, etc.

Senator LIPPITT. Why should an insurance company insure that? Why would not any liability insurance company insure it?

Mr. BLODGETT. Insure the liability of the cargo?

Senator LIPPITT. Yes.

Mr. BLODGETT. They would charge a very high rate, unless they had a right in rem against the vessel and be subrogated to the owner's right; then any shippers may get reasonable restitution from the companies, because in case of accident the insurance company is subrogated to the rights of the shipper, and can proceed against the vessel.

Senator LIPPITT. If the vessel is wrecked and the cargo lost, what good is it?

Mr. BLODGETT. Then it is a total loss.

Senator LIPPITT. Then the insurance company in such case as you describe would not have anything more than insurance against total loss of the vessel and cargo?

Mr. BLODGETT. Yes, sir; there are lots of other things—cases of damage to cargo, for instance.

Senator LIPPITT. I say, with the insurance companies, under the circumstances you have indicated, the rate of insurance would not be any greater than against total loss of vessel and cargo?

Mr. BLODGETT. Yes, sir; there are cases where it would be very much larger. There are a good many cases where the cargo is injured on the voyage either by leak or some defect or some negligence on the part of the master, and the vessel becomes liable and has to pay. That is all covered not by a total-loss policy but by a partial-loss policy.

Senator LIPPITT. But the rate under these new conditions would not be any greater than the present rate for total loss, would it?

Mr. BLODGETT. Yes, sir; I think it would. The rate for total-loss-only policy would average, say, from 4 to 7 per cent. The rate on the partial-loss policy is very much more, and the rate under other conditions would be much more than the present partial-loss rate.

Senator LIPPITT. Of course, it would; but would it be any more than the present total loss?

Mr. BLODGETT. The partial-loss rate is higher than the total loss only. The insurance policy against total loss only is the lowest rate there is. There is much more danger in a partial-loss policy than in a total-loss-of-cargo policy, and therefore the rate or percentage they pay is higher for the partial-loss than for the total-loss policy, as I understand it.

Senator LIPPITT. I do not understand that theory, but perhaps you are right.

Mr. BLODGETT. That is, as I understand the figures. But whatever the rate is, it would increase the rate, because the right against the vessel would be taken away from them absolutely.

The CHAIRMAN. You mean to say that those vessels, if chartered, would not be subject to respond in damages as a vessel belonging to a private individual or corporation that was chartered would be responsible?

Mr. BLODGETT. I do not think they would. They would not unless it was specifically stated in the law, and I do not think it is in this law as I have it. Whether that has been changed or amended I do not know. However, you can not sue the Government.

The CHAIRMAN. Where you can sue a corporation.

Mr. BLODGETT. I am wrong about that. When they are leased there is a clause that covers it, but not when they are operated.

Senator JONES. You have not the bill as it was passed, have you?

Mr. BLODGETT. I have not the bill as it passed.

Senator LIPPITT. What is that clause that was just shown to you?

Mr. BLODGETT. It is in section 9, on page 7.

Senator LIPPITT. Will you be kind enough to read it into the record?

Mr. BLODGETT. Yes, sir. It is as follows:

Every vessel purchased, chartered, or leased from the board shall, unless otherwise authorized by the board, be operated only under such registry or enrollment and license. Such vessels while employed solely as merchant vessels shall be subject to all laws, regulations, and liabilities governing merchant vessels, whether the United States be interested therein as owner, in whole or in part, or hold any mortgage, lien, or other interest therein. No such vessel, without the approval of the board, shall be transferred to a foreign registry or flag, or sold; nor, except under regulations prescribed by the board, be chartered or leased.

I suppose that is the clause. I presume that clause, if a vessel was chartered or leased by the board, would give a shipper a right to proceed against the vessel, but I would not want to say what a court would decide upon that. It does not specifically give them the right to proceed against the United States or a vessel of the United States.

The CHAIRMAN. I understood you to say awhile ago, that this board had the right to take the initiative in prescribing a rate in

interstate commerce. I thought you were mistaken at the time. I can not find it, if there is any such provision in the bill.

Senator FLETCHER. The board is given the same power under the bill.

The CHAIRMAN. As the Interstate Commerce Commission has when the rate is unreasonable.

Mr. BLODGETT. I would like to read section 19. It is as follows:

Sec. 19. That every common carrier by water in interstate commerce shall establish, observe, and enforce just and reasonable rates, fares, charges, classifications, and tariffs, and just and reasonable regulations and practices relating thereto and to the issuance, form, and substance of tickets, receipts, and bills of lading, the manner and method of presenting, marking, packing, and delivering property for transportation, the carrying of personal, sample, and excess baggage, the facilities for transportation, and all other matters relating to or connected with the receiving, handling, transporting, storing, or delivering of property.

The CHAIRMAN. That is the common carrier provision.

Mr. BLODGETT. Yes, sir. But it has got to be satisfactory to the board.

The CHAIRMAN. No; if a complaint is made and it is alleged to be an unreasonable rate, the board can determine the question of the reasonableness of it.

Mr. BLODGETT. Yes, sir.

The CHAIRMAN. There is no provision authorizing the board to prescribe a rate.

Mr. BLODGETT. Specifically no; but the practical working of that is the same, it seems to me—just the same as it is with reference to interstate commerce.

The CHAIRMAN. I find in the last clause of that section the following:

Whenever the board finds that any rate, fare, charge, classification, tariff, regulation, or practice, demanded, charged, collected, or observed by such carrier is unjust or unreasonable, it may determine, prescribe, and order enforced a just and reasonable maximum rate, fare, or charge, or a just and reasonable classification, tariff, regulation, or practice.

Mr. BLODGETT. Yes; "or a just and reasonable classification, tariff, regulation, or practice."

The CHAIRMAN. Giving them practically the same powers as the Interstate Commerce Commission has. But they can not prescribe the rates; only fix the maximum rate and only then after it is found, or judicially determined, that the rate fixed by the company is an unreasonable rate.

Mr. BLODGETT. They themselves find whether it is reasonable or unreasonable.

The CHAIRMAN. That is what I say—after they have found that, then they may prescribe a maximum rate, but they can not even prescribe a maximum rate until after they have set aside the rate promulgated by the company which they find to be unreasonable.

Mr. BLODGETT. It is just the same as the Interstate Commerce act, as I understand it.

Senator LIPPITT. Under the Interstate Commerce act, as a matter of fact, they do now establish rates.

The CHAIRMAN. It is by virtue of recent authority that they do that.

Senator LIPPITT. I understand that this language is now in the interstate-commerce law.

Mr. BLODGETT. I understand that it is analogous to the interstate-commerce law.

The CHAIRMAN. Under the interstate-commerce law, the commission is authorized to prescribe a rate when it finds the railroad established rate is an unreasonable rate.

Mr. BLODGETT. As I understand it a railroad company, for instance, prescribes a rate and they have hearings on it, and the Interstate Commerce Commission can rectify that rate and say if it is unreasonable or say anything they please, and as a practical matter that is just the same.

Senator LIPPITT. It is practically the same wording as this. The shipping board could compel the use of such rates as it thought ought to be prescribed.

Mr. BLODGETT. Yes, sir.

The CHAIRMAN. The shipping board certainly can do nothing under this act except to fix a maximum rate.

Mr. BLODGETT. Yes, sir.

The CHAIRMAN. They can restrict them to a certain maximum, and that is as far as they can go.

Senator LIPPITT. There may be some cases where they could not prescribe a rate, but in a majority of cases, under that language, the board would fix the rate—in many cases.

Mr. BLODGETT. Practically, they would fix the rate.

The question was asked as to whether vessels could be bought now at reasonable prices. As to that, I can say that I know of three schooners that were sold a year ago for \$65,000 apiece that had been offered at \$25,000 the year before. One was the *Marcus L. Urann*, another was the *Samuel F. Houston*, and the third was the *Margaret Haskell*. All of them belonged to the Coastwise Transportation Co. That company had been trying to sell them for \$25,000 apiece for a long while, because they did not pay their expenses at the going rate of freight. They had been trying to get enough out of the operation of those vessels to pay their operating expenses, but had been unable to do so. They were being operated in the coal trade from Norfolk to Boston and vicinity and had not made enough to pay their expenses let alone deterioration and insurance, and the company was doing its utmost to sell them. That was before the war, with trade in its normal condition in the coastwise trade. Since the war we have sold those three vessels to a lawyer in New York by the name of Strange for \$65,000 apiece. If we had those vessels at the present time I presume they would be worth \$80,000 apiece, because it is possible to get freights by which one round trip would pay for the vessel even at that price. That shows the conditions with which shipowners were struggling before the war. If we are going back to those conditions and if we are going to have in addition competition with the Government, we do not want to put any more money into vessels.

Senator LIPPITT. Are you counsel for Crowell and Thurlow?

Mr. BLODGETT. I am counsel for both.

The CHAIRMAN. But if the fear of the prospective investors is that after the war the competition will be so sharp that they will not be

able to meet it, especially where there is foreign competition, where they claim the cost of operation would be so much against them, why would they build anyhow unless they were assured that there would be subsidies provided?

Mr. BLODGETT. They built for the coastwise trade. This allows the Government to come in in the coastwise trade, and they are not only building for the coastwise trade but are building boats that are adapted and are going to-day offshore.

Senator FLETCHER. Those ships were all limited to foreign trade, as provided in this bill.

Mr. BLODGETT. The foreign-built ships are, but not the ships that you buy or build in the United States.

The CHAIRMAN. As I understand it, you are telling this committee that those people would not build a ship for the coastwise trade because they feared that the Government would enter into competition with them in the coastwise traffic?

Mr. BLODGETT. Yes, sir; and they would not build them for the foreign trade because they did not care to start on a new venture without knowing where they were going to stand. That is exactly the position those two companies have taken. The Coastwise Co. has built in eight years nine ships and is now building a tenth.

The CHAIRMAN. This is what I would like to get you to state: Suppose this legislation is not passed and the question of Government competition is eliminated altogether; you say that after the war closes there will be—and that shipbuilders know it—a surplus of ocean cargo. Would there be in those conditions any inducement to private capital to build ships now in the foreign trade?

Mr. BLODGETT. No, sir; there would not be a surplus of carrying capacity except in the coastwise trade.

The CHAIRMAN. You are talking altogether about the matter of coastwise trade?

Mr. BLODGETT. Of course, before the war we did not have any foreign trade, and therefore our surplus of tonnage was in the coastwise trade. That amounted to nothing.

The CHAIRMAN. I understood you up to this time to be telling the committee that capital was ready to engage in the foreign trade but was deterred by reason of the fact that it feared Government competition under this bill.

Mr. BLODGETT. To my own knowledge there are companies in Massachusetts—the Coastwise Transportation Co. and the Crowell & Thurlow Steamship Co.—who have stopped building ships or making contracts for the building of any ships on account of the pendency of this legislation and of the possibility that Government ownership and operation may become operative. They do not care to risk their money, because they know what the conditions were prior to the war and they think they know what the conditions will be after the war, and if they are to have Government competition in addition to those conditions they do not care to put any more money into ships.

If some method is adopted to equalize the cost of operation of United States vessels with foreign vessels in normal times then plenty of capital will be available to invest in ships for use in not only the coastwise trade but in the overseas trade, but they will not build for the foreign trade except in the present exigency unless they know that they are going to be able to compete with foreigners on an

equal basis, and that they are not going to be called upon to compete with the Government.

The CHAIRMAN. I have understood you to say, leaving out this legislation altogether, that after the war the conditions in the foreign trade would be such in the cost of operation against us, that there would be no chance for an American vessel in the foreign trade.

Mr. BLODGETT. In my opinion in three years after the war is over all our ships will be driven out of the foreign trade of the United States unless some scheme is developed to equalize the difference in the cost of operation and construction.

The CHAIRMAN. Then when you say there is nobody now ready to go into the foreign trade—foreign shipping—you mean that they will be ready provided there is some legislation that will equalize what you say is the difference of cost of operation?

Mr. BLODGETT. Yes; actually, is some scheme is undertaken, something constructive is undertaken, which people can see will help to allow them to compete, there will be plenty of capital that will go into it.

The CHAIRMAN. So until there is some legislation of the kind that you describe, there is no disposition on the part of American capital to go into the construction or purchase of ships for foreign trade.

Mr. BLODGETT. At the present time there is a very large desire to go into that very thing on account of the high rates.

Senator LIPPITT. That is, it is a gamble?

Mr. BLODGETT. It is a gamble as to how long it will continue, and they are gambling on it. There are lots of them going into it on a gamble.

The CHAIRMAN. Going into it recognizing that after the war is over there will be a loss?

Mr. BLODGETT. They are going to take their chances on it, and are trying to make enough to go through with it. There is one firm in New York that is markedly doing that—that is the firm of Gastun, Williams & Wigmal (Inc.). They were formed as an offshoot of the Guarantee Trust Co.

The CHAIRMAN. And unless there is some legislation for relief by the time you prescribe—a subsidy or subvention or differential or something of that kind, after the war they will have to go out of business?

Mr. BLODGETT. They will have to go out of business.

Senator LIPPITT. Or go into the coastwise trade?

Mr. BLODGETT. Yes, sir; and if they go into the coastwise trade, it is going to overburden the coastwise trade.

Senator LIPPITT. And if they go into the coastwise trade they are going to meet the competition of the Government?

Mr. BLODGETT. Yes.

The CHAIRMAN. Will you please point out the provision which you say allows competition in the coastwise trade? Does that extend to any part of the coastwise trade except that of our insular possessions?

Mr. BLODGETT. Under the proposed law the Government, by chartering its vessels to a corporation, can compete in the coastwise trade of the United States. I do not fear competition, and do not think it would be unfair to allow any corporation or United States citizen to compete in that trade, provided they all had to purchase or charter

or lease their vessels upon the same terms and conditions and subject to the same restrictions. A corporation chartering from the Government, however, could have a very distinct advantage over a private owner or a corporation chartering from a private owner, and the result of the Government ownership and chartering would be unfair competition against private owners in the coastwise trade.

If competition could be placed upon identically the same basis with the same rights and liabilities between Government-owned boats and privately-owned boats, there could be, of course, no objection merely on the ground of competition.

Senator LIPPITT. The first part of section 9 is what you have relied upon for your position in the matter, is it not?

Mr. BLODGETT. Yes, sir.

Senator LIPPITT. You said a while ago that before the war you know of your own knowledge a large number of vessels that were laid up on account of poor business.

Mr. BLODGETT. Yes, sir.

Senator LIPPITT. Will you be kind enough to put into the record a list of such vessels as you know of your own knowledge being laid up?

Mr. BLODGETT. I know that practically the whole fleet was. I will insert that information later in my statement.

The CHAIRMAN. I think the witness wholly misunderstands this section.

Senator JONES. I do not think so, Mr. Chairman.

Mr. BLODGETT. I may, but I do not think I do.

The CHAIRMAN. It states:

Provided, That foreign-built vessels heretofore or hereafter admitted to American registry or enrollment and licensed under the act of August 18, 1914, or under this act, and vessels owned, chartered, or leased by any corporation in which the United States is a stockholder * * * may not engage—

And so forth.

Senator JONES. But the first part of the section provides:

That any vessel purchased, chartered, or leased from the board may be registered or enrolled or licensed as a vessel of the United States and entitled to the benefits and privileges appertaining thereto.

The CHAIRMAN. But there follows the proviso that expressly declares that they may not engage in the coastwise trade of the United States except with Alaska, Hawaii, or Porto Rico.

Senator LIPPITT. That applies only to foreign-built vessels.

The CHAIRMAN. I think not, because it says, "Vessels owned, chartered, or leased by any corporation in which the United States is a stockholder," etc.

Senator JONES. But if the board—

Mr. BLODGETT. If you will excuse me, I think that means foreign-built vessels.

Senator LIPPITT. I do not think the latter part does; that it means vessels chartered by a corporation in which the United States is a stockholder, but if you and I should get a vessel chartered by the United States from this board we could go into the coastwise trade with that vessel, but if the United States should come in as a partner with us we could not; otherwise we could.

The CHAIRMAN. If the vessels were "owned, chartered, or leased by any corporation in which the United States is a stockholder."

Senator LIPPITT. But suppose it is leased to a corporation in which the United States is not a stockholder?

The CHAIRMAN. That would raise a question.

Senator JONES. I would like to have section 11 construed in connection with that. It provides:

That the board, if in its judgment such action is necessary to carry out the purposes of this act, may form, under the laws of the District of Columbia, one or more corporations for the purchase, construction, equipment, lease, charter, maintenance, and operation of merchant vessels in the commerce of the United States.

Now, that would include foreign as well as domestic commerce.

Mr. BLODGETT. Whatever the legal construction of that may turn out to be, I know that the shipping people consider that there is a very imminent danger in the bill in its present form.

The CHAIRMAN. Well, we have your views upon it. I think you are mistaken about it, however. If the United States should sell any of these vessels to a private citizen or corporation, would you think it unjust to permit the purchaser to use that vessel in the coastwise trade?

Mr. BLODGETT. If the United States should sell?

The CHAIRMAN. Yes; if the United States, or a corporation organized as a holding corporation under this act, should sell any of these vessels to a private individual, or should lease them, we will say, for a term of years to a private individual—a vessel built in the United States—do you think it would be unjust to allow the lessee or the purchaser of that vessel to operate it in the coastwise trade?

Mr. BLODGETT. No; I do not think it would be unjust, if you grant the first premise that it would be just to allow the Government to go into that line of business. Personally, I am a free trader.

The CHAIRMAN. I am assuming that the Government has sold the vessel to an American, or has leased the vessel for a term of years, and it is being operated by a private corporation—I am asking you the question whether you think that would be unjust to those engaged in the coastwise trade, to permit its employment in that trade?

Mr. BLODGETT. I do not think it would be unjust to the Government if they had a vessel that they would sell.

The CHAIRMAN. So, if it means what you say it does, there would be no injustice in it?

Mr. BLODGETT. It means that the Government, instead of having vessels and vessels which they have no use for as a Government, and want to dispose of them and sell them, they are going into the market for vessels to increase the fleet and make more tonnage.

The CHAIRMAN. And you do not think the tonnage in the coastwise trade ought to be increased?

Mr. BLODGETT. There certainly were enough ships before the war to take care of all that tonnage, unless it can go offshore.

The CHAIRMAN. You have no objection to a private citizen or a corporation building vessels for the coastwise trade, but you do object to their buying from the Government and putting them in the coastwise trade?

Mr. BLODGETT. Not if the Government sells them as a builder would sell them.

The CHAIRMAN. Suppose it leases them for a term of years?

Mr. BLODGETT. If it leases them on such basis as the ordinary owner would lease them, so that they would have to charge depreciation, and get such rental out of them as they could, and pay insurance and depreciation, I would not object to it at all.

Senator LIPPITT. You would not object unless the Government was an unfair competitor?

Mr. BLODGETT. Absolutely so.

The CHAIRMAN. You insist the board should lease them only on terms that would make it impossible for them to operate on a basis of equal competition.

Mr. BLODGETT. They would have to; if conditions which existed for five years prior to this year are the fair ordinary conditions, they would have to do it. They could not get along otherwise.

The CHAIRMAN. I think we understand each other on that question, so you may proceed.

Mr. BLODGETT. I hope that no further legislation will be passed in reference to the merchant marine until the shipping board investigates the whole matter and furnishes a plan for the upbuilding of the merchant marine. There are certain laws now in force which have been and are a great hardship upon vessel owners. I refer particularly to the so-called Hardy bill, requiring employment of third mates, and also to some sections and clauses of the seaman's bill. The Hardy bill requires vessel owners to employ third mates in certain cases, and fines the owners for failure to do so, even though it is clearly impossible to find a sufficient number of competent third mates. In my practice I have had numerous cases where fines varying from \$25 to \$100 have been insisted upon, although it was clear that the failure to comply with the laws was not in any way the fault of the owners or the master of the vessel. I have reference now to one vessel that I have in mind. Her third mate was taken sick and her captain went to one of the steamboat inspectors and they told him to go to the next port; they could not get one. He went there, and they stopped him and fined him \$500, and lowered the fine to \$100, but the Secretary of Commerce refused to wipe that fine off. I have told the district attorney that I would never allow my client to pay it, and that if he wanted to go to court I would try it out in court. I have settled a half a dozen other cases under the third-mate law.

Senator LIPPITT. Who reduced this fine?

Mr. BLODGETT. The Secretary of Commerce.

Senator LIPPITT. Does he have that privilege?

Mr. BLODGETT. I do not think he does, but he does it anyway. That is where they apply to get it reduced. I have settled five cases where it has been reduced to \$25. There is no earthly reason for it. If the owner was not able to get a third mate and used all diligence to get him, he certainly should not be fined \$25.

The CHAIRMAN. When was the Hardy law passed?

Mr. MARVIN. Two years ago, I think; two or three years ago. It was introduced by Representative Hardy, of Texas.

Mr. BLODGETT. Then there is another bill which has been passed known as the seaman's law.

The CHAIRMAN. You do not like this, and you say some legislation is necessary to regain our lost ground upon the seas. What do you suggest, the same as Mr. Marvin?

Mr. BLODGETT. The Boston Chamber of Commerce suggested a shipping board, and suggested a mail subsidy for the establishment of certain lines, and that is practically all, and let the shipping board study it.

Senator LIPPITT. The shipping board would be simply an investigating and advisory board?

Mr. BLODGETT. Yes, sir; just as the bill provides. I can not help feeling that if a board is appointed, a thoroughly competent board, as I assume it would be, that they can investigate and report something next fall to Congress that would have a tendency to upbuild the merchant marine during the war.

Senator LIPPITT. Your idea is that all that ought to be done now is to provide an investigating body that will be efficient, which shall take up the subject and study it and report upon it?

Mr. BLODGETT. Yes, sir; study it and report upon it.

Senator LIPPITT. And if we are going to have any other legislation, you want it to be in the form of a subsidy?

Mr. BLODGETT. Yes, sir. I believe that a shipping board should be appointed and that they should be given full power to investigate and suggest legislation for the upbuilding of the merchant marine.

As the present bill does not attempt to assist American shipowners, but seriously handicaps them, the result after the war will undoubtedly be that private-owned ships engaged in foreign trade, as well as private-owned ships engaged in coastwise trade, will surely return to their old level, and in all probability private-owned ships, both in foreign and coastwise trade, will disappear entirely. Senator Lippitt requested certain information in reference to tonnage that to my knowledge was idle before the war and as to rates that could be obtained for transportation, and I herewith append the best list that I could make up, within the limited time allowed, in reference to vessels and rates:

Vessels.—Steamer *Peter H. Crowell*, 5,000 tons; steamer *F. J. Lisman*, 3,600 tons; steamer *H. M. Whitney*, 3,500 tons.

Barges.—*Lynn*, 2,500 tons; *Plymouth*, 2,500 tons.

Schooners.—Numerous small schooners, three and four masted, carrying from 1,000 to 2,000 tons. Five or six 5-masted schooners managed by J. S. Winslow & Co., of Portland, carrying from 3,500 to 5,000 tons each.

Rates.—The coal rates from Norfolk to Boston prior to the war varied from 45 cents to 65 cents per ton.

It is a well-known fact that a private owner can not pay the expenses of operating a vessel in the coal trade from Norfolk to Boston, making proper charges for interest, depreciation, insurance, and repairs, for less than 65 cents a ton in a steamer of over 6,000 tons or less than 80 cents a ton in a schooner carrying from 3,500 to 5,000. The wages of all seamen have increased from 25 to 50 per cent since the beginning of the war and are going to remain considerably higher than they were before the war, so that inevitably a higher rate of freight will be required to make shipping a paying venture, either foreign or coastwise.

That Government competition will be keen, especially in dull times, must be admitted, when the only reason given for including Government operation in the bill, as stated by a member of the commit-

tee, is that at all times they might not be able to charter their vessels and so would have to operate or let them lie idle.

If you add to the burdensome conditions that existed before the war a higher rate of wages and Government competition, and if no aid is given to private owned shipping, the bill in question, instead of being an act for the purpose of encouraging, developing, and creating a merchant marine, not only in foreign, but in coastwise commerce, should really be entitled: "An act for the purpose of discouraging, decreasing, and killing the private owned merchant marine of the United States engaged both in foreign and coastwise commerce.

Mr. MARVIN. I would like to submit for publication in this record the text of the report of the special committee on merchant marine of the Boston Chamber of Commerce.

The CHAIRMAN. That will be inserted in the record.

(The report referred to is here printed in full, as follows:)

REPORT OF THE SPECIAL COMMITTEE ON MERCHANT MARINE OF THE BOSTON CHAMBER OF COMMERCE ON THE BILL FOR THE GOVERNMENT OWNERSHIP AND OPERATION OF VESSELS IN THE FOREIGN AND COASTWISE TRADE.

MARCH 25, 1916.

To the Executive Committee and Board of Directors:

A year ago the special committee on merchant marine of the Boston Chamber of Commerce, in a report duly approved by the directors of the chamber, made earnest objection to the original McAdoo bill for Government ownership and operation of commercial shipping. That bill was defeated in the Congress that closed last spring, but another bill, also based on Government ownership and operation, but otherwise greatly changed, has been reintroduced (H. R. 10500) and referred for consideration to the House Committee on the Merchant Marine and Fisheries.

Our committee of the Boston Chamber of Commerce, though frankly recognizing that a real emergency exists in the inadequate tonnage and high rates of present ocean trade, can not escape the conclusion that the new bill would not meet this emergency, but, on the whole, would aggravate it by discouraging private capital and enterprise, which have already filled American shipyards with orders for the construction of 100 steamships of from 3,000 tons to 12,000 tons gross register, soon to be available for ocean service. Further orders await only the lifting of the menace of Government ownership and the securing of requisite steel materials and building space. There is every prospect that the American merchant marine during the present war will increase at an unexampled rate if not forced into unequal competition with the wealth and power of the National Government.

Some of the features of the revised bill can be approved. A United States shipping board for the general supervision of the merchant marine would serve a valuable purpose if its powers were carefully defined by law, and if its energies were not wasted in an effort to outdo the overworked Interstate Commerce Commission and minutely regulate the rates charged by all the tens of thousands of merchant vessels under thousands of different ownerships that now convey the water-borne trade of the United States—a task of doubtful wisdom or necessity and utterly impossible of fulfillment. Unless its powers are so defined and do not include the power to make rates we do not feel warranted in approving the creation of such a board.

In the face of present abnormal conditions such suitable naval auxiliaries and transports as are not required in peace may well be transferred to the shipping board for lease or sale to shipowners engaged in the foreign trade of the United States, though this at best is only a small expedient, and there is undoubtedly risk of international complications if a Government auxiliary under private charter be arrested or sunk by a belligerent cruiser. This is the only feature of the new bill that holds any promise of immediate relief. Public opinion will everywhere approve the enrollment of citizen officers and men of the merchant marine in a volunteer naval reserve, properly compensated by retainers from the Government.

The remainder of the bill—the features involved in Government ownership and operation—is unsound and ineffective, and deserves the united opposition of the business organizations of America. No large, enduring good can come from the provision authorizing the Government to build, purchase, or charter in this country or abroad a fleet of naval auxiliaries and lease or sell these ships for purposes of trade. Our naval auxiliaries, like American battleships, cruisers, and submarines, ought to be built exclusively in the United States, not in foreign yards under the observing eyes of officers of foreign Governments. All shipyards in this country and in Europe are now overwhelmed with work—no Government ships could be contracted for and completed within two or three years. Before that time the emergency will have ended, either through a general peace or the financial exhaustion of the belligerent nations that are now abnormal consumers of imported goods.

But far worse than the commitment of the Government to the building of a fleet of auxiliary merchant ships, which private capital and expert management can create more quickly and at lower cost, is the provision in section 8 of the bill authorizing the Government to embark not merely in the ownership but in the "equipment, maintenance, and operation" of merchant vessels in the overseas and presumably also in the general coastwise trade of the United States. This is the most radical proposition yet made. There has never been the shred of a pretense that private American capital had failed to utilize the coastwise situation. On the contrary, under the century-old law reserving the coastwise trade to American ships and sailors, the American coastwise fleet has grown prodigiously to a tonnage exceeding the total home and foreign tonnage of the German Empire, or thrice the whole merchant shipping of either France or Norway. There is no "monopoly" in the American coastwise trade. Only a small fraction of its vessels run in regular lines. Six-sevenths of its huge tonnage is composed of "tramp" cargo craft, steam or sail, controlled or operated by thousands of different owners under severe competitive conditions.

To allow the United States Government to come into competition with our immense fleet of private-owned coastwise ships is a gratuitous menace to an American industry that has justified itself by a strong, constant growth, and is to-day the chief auxiliary reserve of our ocean defense and the great nursery of American seamen.

Whether in the coast trade or in the foreign trade, Government-owned ships operated without regard to profit and guaranteed against loss by the National Treasury would mean the swift destruction of all spirit of American maritime enterprise and personal initiative. In the foreign trade private-owned American ships, fighting against heavy odds, with the cheap wages and subsidies of foreign competitors, would be compelled to meet a new competition in the subsidized ships of the United States Government. Their own country would be making war on American shipowners.

The difference in the cost of operation, due chiefly to different wages and standards of living and only in small part to our navigation laws and rules, would be just as great between Government-owned American ships and foreign ships as it would be between private-owned American and foreign vessels. The handicap due to subsidies, bounties, or other National aid to foreign ships would be as heavy in the one case as in the other. But this difference would be made up to the Government-owned American ships out of the Federal appropriation of the shipping board. If there were a deficit it would be compensated for—to Government-owned ships—in this way. Every Government-owned ship would thus be a subsidized vessel—subsidized in disguise—not only against all foreign ships, but against all private-owned American competitors as well. There would then be this grotesquely unfair situation—all Government-owned ships subsidized; other American ships in the same trade unsubsidized, discriminated against, and driven from the ocean.

If there are to be subsidies, it is a fundamental principle of honesty and fair play that they should be given on the basis of equal opportunity to all American ships, or to none. The Government ownership bill inexorably violates this principle. It creates a special privileged class of American ships in the limited fleet of vessels owned by the Government itself—ships 49 per cent of the stock in which may be held by a few private investors. Can anyone hope to defend and justify such a scheme as this to the American people?

A real emergency exists. Something must be done. The great war has focused the attention of the country as never before upon the sea and ships. There is an unexampled opportunity to lay broad and deep the foundations of an adequate American merchant marine. An undoubted obligation rests upon

all those who oppose Government ownership and operation to point to another and a better way.

That way can be found in the recommendations of the Chamber of Commerce of the United States in connection with its referendum of last spring, when the manufacturers, merchants, and bankers of the country, overwhelmingly rejecting the idea of Government ownership and operation, even more overwhelmingly approved positive legislation of another kind, as follows:

1. Carefully supervised and guarded subsidies from the Government sufficient to offset the difference in cost between operation of vessels under the American flag and operation in the same deep-sea trade under foreign flags.

2. Subventions from the Government to establish regular mail and freight lines under the American flag to countries in which the commercial interests of the United States are important and to American dependencies.

3. The creation of a Federal shipping board with carefully defined jurisdiction to investigate and report to Congress regarding the navigation laws, and to have authority under the law in all matters pertaining to oversea transportation.¹

4. Amendment to the ocean mail law of 1891 by readjusting the required speed of first and second-class steamers and by making the compensation adequate to permit the establishment of lines of steamers carrying both mail and freight.

These recommendations were referred to and approved by our special committee on merchant marine, and were formally accepted June 15, 1915, by the directors of the chamber. Under these policies, when conditions become normal after the war, both swift regular mail ships and slower but indispensable cargo carriers would be encouraged and upheld against foreign competition by the United States Government, which would leave the ocean trade to the energy and courage of its shipowners and seamen.

A year ago our committee declared that "we believe it to be a sound principle that the Federal Government should not engage in business which, under suitable conditions, can be conducted to equal or better advantage by private enterprise."

Everything that has transpired since then has emphasized the force of this conviction. We, therefore, recommend that the chamber disapprove these features of the present bill (H. R. 10500) which involve Government ownership and operation of commercial vessels and Government regulation of ocean rates.

Respectfully submitted.

SPECIAL COMMITTEE ON MERCHANT MARINE.

ELWYN G. PRESTON, *Chairman.*

EDWARD E. BLODGETT.

L. A. COOLIDGE.

FREDERICK FOSTER.

THEODORE JONES.

WINTHROP L. MARVIN.

ROBERT S. PEABODY.

GEORGE F. WILLETT.

BOSTON, May 31, 1916.

Hon. F. M. SIMMONS,

Senate Subcommittee on Commerce, Washington, D. C.

DEAR SIR: Re H. R. 15455, I herewith inclose to you a supplemental and corrected statement which I would like to have added to my testimony in reference to the above bill and have the same made a part of the record. I am including with it information asked for by Senator Lippitt.

I remain, very truly, yours,

EDWARD E. BLODGETT.

(Subsequently, at the suggestion of Senator Lippitt, the following letter of Mr. Blodgett, addressed to Senator Simmons, together with the statement, was ordered printed in the record, as follows:)

During my testimony as to the nonliability of the Government or a Government-owned vessel for injury suffered by a shipper my attention was called to the second paragraph of section 9 of the bill, on page 7, which reads as follows:

"Every vessel purchased, chartered, or leased from the board shall, unless otherwise authorized by the board, be operated only under such registry or

¹ This was not understood by the committee to contemplate the regulation of rates.

enrollment and license. Such vessels while employed solely as merchant vessels shall be subject to all laws, regulations, and liabilities governing merchant vessels, whether the United States be interested therein as owner, in whole or in part, or hold any mortgage, lien, or other interest therein."

This does not really affect my statement, because no right is given to sue the United States, and I doubt very much if, under the clause in question, any court would allow a libel to be filed against a vessel owned by the United States and authorize her seizure; but even if I am wrong in this, yet if the United States operates the vessels there can not possibly be any right to sue the United States or to hold the vessels liable for damage or injury to cargo, nor would such vessels be liable for damage or injury caused to another vessel by collision.

This would be a most serious handicap to private competing shipowners, as well as to those who desire to ship cargo by Government vessels.

As the present bill does not attempt to assist American shipowners but seriously handicaps them, the result after the war will undoubtedly be that private-owned ships engaged in foreign trade, as well as private-owned ships engaged in coastwise trade, will surely return to their old level, and in all probability private-owned ships, both in foreign and coastwise trade, will disappear entirely. Senator Lippitt requested certain information in reference to tonnage that to my knowledge was idle before the war and as to rates that could be obtained for transportation, and I herewith append the best list that I could make up, within the limited time allowed, in reference to vessels and rates:

Vessels.—Steamer *Peter H. Crowell*, 5,000 tons; steamer *F. J. Lisman*, 3,600 tons; steamer *H. M. Whitney*, 3,500 tons.

Barges.—*Lynn*, 2,500 tons; *Plymouth*, 2,500 tons.

Schooners.—Numerous small schooners, three and four masted, carrying from 1,000 to 2,000 tons. Five or six 5-masted schooners managed by J. S. Winslow & Co., of Portland, carrying from 3,500 to 5,000 tons each.

Rates.—The coal rates from Norfolk to Boston prior to the war varied from 45 cents to 65 cents per ton.

It is a well-known fact that a private owner can not pay the expenses of operating a vessel in the coal trade from Norfolk to Boston, making proper charges for interest, depreciation, insurance, and repairs, for less than 65 cents a ton in a steamer of over 6,000 tons or less than 80 cents a ton in a schooner carrying from 3,500 to 5,000. The wages of all seamen have increased from 25 to 50 per cent since the beginning of the war and are going to remain considerably higher than they were before the war, so that inevitably a higher rate of freight will be required to make shipping a paying venture, either foreign or coastwise.

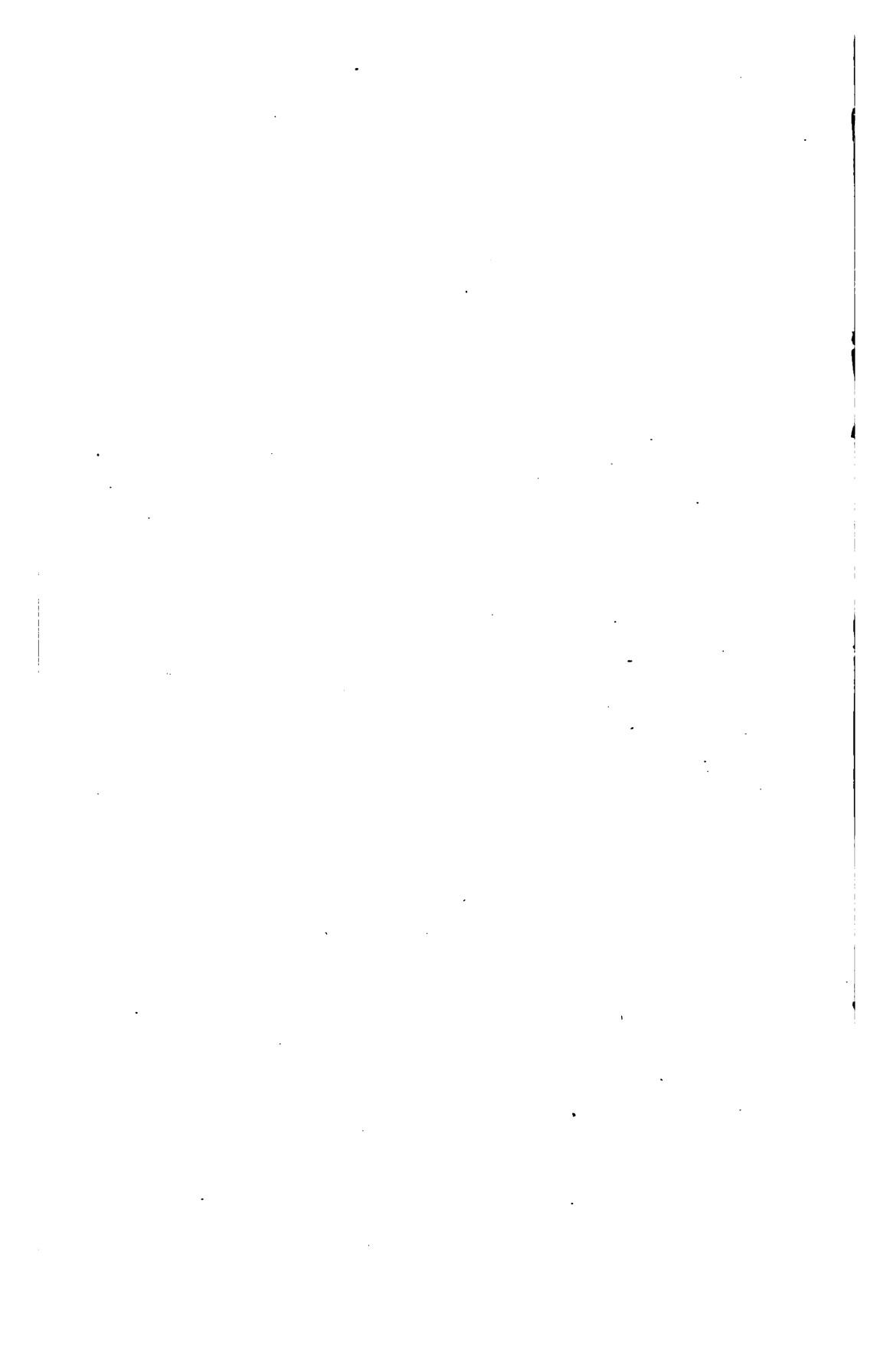
That Government competition will be keen, especially in dull times, must be admitted when the only reason given for including Government operation in the bill, as stated by a member of the committee, is that at all times they might not be able to charter their vessels and so would have to operate or let them lie idle.

If you add to the burdensome conditions that existed before the war a higher rate of wages and Government competition, and if no aid is given to private-owned shipping, the bill in question instead of being an act for the purpose of encouraging, developing, and creating a merchant marine, not only in foreign but in coastwise commerce, should really be entitled: "An act for the purpose of discouraging, decreasing, and killing the private-owned merchant marine of the United States engaged both in foreign and coastwise commerce."

EDWARD E. BLODGETT.

Senator LIPPITT. I move that the committee do now adjourn.

The motion was agreed to; and accordingly, at 4.45 o'clock p. m., the committee adjourned to meet on call of the chairman.



CREATING A SHIPPING BOARD, A NAVAL AUXILIARY, AND MERCHANT MARINE.

THURSDAY, JUNE 1, 1916.

UNITED STATES SENATE,
COMMITTEE ON COMMERCE,
Washington, D. C.

The subcommittee met in the committee room, Capitol, at 8 o'clock p. m., pursuant to call, Senator F. M. Simmons presiding.

Present: Senators Simmons (chairman), Fletcher, Jones, and Lippitt.

Also present: Mr. George S. Dearborn.

The subcommittee resumed the consideration of the bill (H. R. 15455) to establish a United States shipping board for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve and a merchant marine to meet the requirements of the commerce of the United States with its Territories and possessions and with foreign countries; to regulate carriers by water engaged in the foreign and interstate commerce of the United States; and for other purposes.

The CHAIRMAN. We will hear Mr. Dearborn.

STATEMENT OF MR. GEORGE S. DEARBORN, PRESIDENT AMERICAN-HAWAIIAN STEAMSHIP CO.

Mr. DEARBORN. I am here as one of the committee of the Chamber of Commerce of New York on merchant marines. The chairman, Mr. Bush, unfortunately was unable to be here, and Mr. Franklin, vice president of the International Mercantile Marine is here as vice president of the chamber of commerce, and Mr. Shearman, of W. R. Grace & Co., is also here.

I will say that the committee, of which I have been a member, have been working on this problem ever since the first bill was introduced, and I am the only steamship man on the committee.

The CHAIRMAN. Were you examined before the House committee?

Mr. DEARBORN. I was.

The CHAIRMAN. It is not your purpose, is it, to go over what you said before the House committee?

Mr. DEARBORN. No; not exactly; but as I made two statements to the House committee there must be some repetition. I shall not be able to avoid it entirely.

The CHAIRMAN. I hope you will avoid as much as possible repetition. The committee has the printed statement you made before the committee of the House.

Mr. DEARBORN. I do not know that I can add so much to my statements heretofore made except to say that we feel that this is the greatest opportunity that private capital has ever had to go into the merchant marine, and it is going into it. When we took up this matter it was said that there was no counter proposition to this bill, so we submitted to the chamber of commerce a bill which had for its purpose the equalizing of the cost of ships and the cost of operating in this country and Europe, and the chamber turned it down because it was not in favor of a subsidy.

The CHAIRMAN. That is, the New York Chamber of Commerce?

Mr. DEARBORN. The New York Chamber of Commerce.

The CHAIRMAN. When was that action taken?

Mr. DEARBORN. That was a year ago in January, and perhaps our recommendation went to some length. That is, it was to provide for some financing. They did turn down unanimously the ship-purchase bill, the Government proposition of going into shipping; that was turned down unanimously, then we redrafted our proposal.

The CHAIRMAN. I probably misunderstood you. I thought you said turned down the proposition of subsidy.

Mr. DEARBORN. We did at that time. The chamber of commerce has always been opposed to subsidies.

The CHAIRMAN. Then they turned down both propositions?

Mr. DEARBORN. No; they turned down the proposition of the ship-purchase feature of the bill; they were unanimously opposed to it. Of course, the chamber of commerce has taken the position for years, as have most of the exporters of the country, that so long as other nations would furnish us with shipping transportation in the foreign trade and would take care of our exports, they were satisfied. If they would do the business cheaper than Americans they were entitled to get it, and as the importer pays the freight there was no reason for this country to assist ships. You will remember subsidy bills that came up here and one that came very nearly passing by a few votes. I do not think those bills would have produced anything for the reason that American capital would not have been satisfied at that time with returns from shipping investments that English capital would have satisfied.

The CHAIRMAN. Did I understand you to say just now that it was the sentiment of the board of trade that if foreign countries would furnish us with adequate shipping facilities for our exports, and I suppose you meant to include imports, exports and imports?

Mr. DEARBORN. Yes; before the war.

The CHAIRMAN. That they were satisfied they should do it?

Mr. DEARBORN. Yes, sir; when you say the commercial communities, the shippers, generally.

The CHAIRMAN. They were satisfied to have foreign Governments furnish us our ocean transportation?

Mr. DEARBORN. Foreign shipowners.

The CHAIRMAN. Foreign shipowners, yes; provided, I think you said, that they would do it as cheaply as our own shipowners.

Mr. DEARBORN. Well, there were no American ships in the foreign trade at that time.

The CHAIRMAN. Let me ask you this right there; I think this is a very important matter. Do you hold, or did the board of trade

hold, that before the war we were getting just as good rates for our cargoes, on our cargoes, as our competitors who furnished us with transportation gave their own shippers?

Mr. DEARBORN. As far as our exporters were concerned.

The CHAIRMAN. Yes; as far as imports and exports were concerned?

Mr. DEARBORN. Yes, certainly; of course, exports are in the great preponderant, and I say these ships were taking freight at rates which produced for a period of 10 years a minimum return. I think I have seen statistics where the return on investments you might say of tramp shipping was 4 to 5 per cent. Was it not something of that kind, Mr. Franklin?

Mr. FRANKLIN. It was very low.

The CHAIRMAN. Therefore the American shipper said, "If England or any other country is willing to furnish us transportation for our exports on a margin of profit of 5 per cent, let them have it."

The CHAIRMAN. Do you think that English shipowners have been giving us the same rates, the same speed, the same schedules for our exports to South America that they have been giving the English shipper on his shipments to South America?

Mr. DEARBORN. As a broad business policy English or other ships—

The CHAIRMAN. I am asking you about the facts.

Mr. DEARBORN. I can not say in every instance, but I think, speaking broadly, you must go back perhaps to a matter of policy; that is, if it was the policy of English owners to discriminate against American shippers, say, from this country to South America, as compared with shipments from England.

Senator FLETCHER. But do you not think there was a discrimination against American exporters, against American trade?

Mr. DEARBORN. The point is you think they made lower rates from England to South America.

Senator FLETCHER. Discrimination against American trade generally in favor of their own people, in favor of the country that owned the ships?

Mr. DEARBORN. I have heard that charged. Our business, of course, has been the coastwise business. We have a service between San Francisco and New York, Pacific ports, and Hawaii, and when the canal closed last September our service was disrupted and we had to make the trip via Magellan, which is a trip of 50 days, compared to 20 days, and it was difficult to get freight for so long a route, and there was no prospect of the canal opening at an early date, so we practically abandoned our own business and put our ships in the foreign trade, and greatly to our profit. But what I believe is that when this bill was introduced it was to provide for emergency.

Senator LIPPITT. Will you not kindly keep on that subject. The chairman is quite interested in it and I am interested, and you have touched on one of the critical points, if I may use that word, in regard to the testimony which has been given by various people, and upon one of the bases of an argument that is going to be made for this bill. Now, you say that the chamber of commerce generally in New York for the last 10 years was satisfied; that the chamber of commerce and the shippers of New York were generally satisfied that

the rates they were getting for their freight to and from this country were low rates?

Mr. DEARBORN. They were.

Senator LIPPITT. And that they were lower rates as a whole than could be expected to prevail if American shipping had taken the place of foreign shipping?

Mr. DEARBORN. It was not possible for American ships to carry freight at the same rates.

Senator LIPPITT. Even if the subsidy which had been proposed in some bill you referred to—I do not know what bill that is—but even if that subsidy in the bill you referred to had been inaugurated by the Government to help the American ships, do you feel even then that the foreign rates would have been lower?

Mr. DEARBORN. Even if it had equalized the cost of ships and the difference in the cost of operating, I say American capital would not have been satisfied with returns on the investment of shipping that would satisfy English capital.

Senator LIPPITT. That is what I say; the subsidy was not high enough to equalize those rates?

Mr. DEARBORN. No, sir.

Senator LIPPITT. So, even if such a subsidy had been provided as was proposed, even then American capital would have had to charge higher rates than the foreign capital.

Mr. DEARBORN. They would.

Senator LIPPITT. So that the state of mind, as you understand it, of the shipping people generally of New York or the country—what did you say?

Mr. DEARBORN. New York, sir.

Senator LIPPITT. They felt they were getting foreign transportation at a low rate?

Mr. DEARBORN. They were.

Senator LIPPITT. Is that what you mean?

Mr. DEARBORN. That is what I mean. A great many felt we should have a merchant marine to provide for a naval auxiliary, and, strange as it may seem, 17 years ago, when our company was organized, we built the first ship in this country of a modern type freighter, for the reason that our trip from here to San Francisco was through the Straits of Magellan and we had to have big ships.

Senator LIPPITT. How big?

Mr. DEARBORN. Some of our ships carried 9,000 to 13,000 tons.

Senator LIPPITT. Were those cargo ships solely?

Mr. DEARBORN. Cargo ships; and when the navigation laws were applied to Hawaii it gave us an opportunity to secure return cargoes, and it was the application of the navigation laws which really brought our company into existence and developed a fleet of 26 ships averaging 10,000 tons each.

Senator JONES. What was their speed?

Mr. DEARBORN. Their speed was 12 knots, on the average.

The CHAIRMAN. What you mean to say, if I understand you, is that you do not think ships under the American flag can be operated as cheaply as under foreign flags, and therefore you think that American-owned vessels could not afford, as a rule, to carry cargoes as cheaply as English, German, and French vessels?

Mr. DEARBORN. I am speaking of ante bellum days.

The CHAIRMAN. You were speaking of ante bellum days?

Mr. DEARBORN. Yes, sir; that is a fact.

The CHAIRMAN. Assuming that to be a fact, it would not affect the question, would it, of whether the English, German, and French ship owners discriminated against American products in transportation rates and conditions?

Mr. DEARBORN. I can not speak of any discrimination. I do not know of any myself.

The CHAIRMAN. You do not know of any?

Mr. DEARBORN. I do not know of any. All I know is that the rates out of New York, out of every American port to every foreign port, are satisfactory to the shippers.

The CHAIRMAN. Do you include South America?

Mr. DEARBORN. Including South America, as far as I know.

The CHAIRMAN. Do you know whether or not the rate out of New York on a foreign vessel, an English vessel, we will say, for illustration, to South America, is on a parity with the rate charged from Liverpool and London to South American ports?

Mr. DEARBORN. I want to answer that my own way, if you will allow me.

The CHAIRMAN. I want you to answer it your own way.

Mr. DEARBORN. I thought, perhaps, you wanted me to answer categorically. I will say this: That the British shipowners have no more love for the British shipper than the American shipper, and he is going to get all the traffic will stand from a British shipper, as he would from an American shipper.

Senator LIPPITT. It is simply a question of supply and demand?

Mr. DEARBORN. Yes, sir.

Senator FLETCHER. Do you not know that they are all in conference agreements and practically control routes and rates?

Mr. DEARBORN. I know there have been conference agreements. They last about so long, until they raise the rates too high and give the outsiders a chance to come in.

Senator FLETCHER. Some of them lasted until this year, did they not?

Senator LIPPITT. Were those rates ever made as against American freights in favor of English freights? Did they not apply to English freights the same relative rate as they did to American freights?

Mr. DEARBORN. I only know that as a general principle they got what the traffic would bear. That is the habit of a steamship man or any other transportation man; I can tell you that.

Senator LIPPITT. Even at that they did not get enough to pay very high profits?

Mr. DEARBORN. No, sir.

Senator JONES. As I understand, you do not know anything about the real facts as to these freights they are asking about, but you are simply giving deductions from your experience?

Mr. DEARBORN. Deductions from my experience as a steamship man.

The CHAIRMAN. Do you know anything about the relative character of vessels that ply between European ports and South America

and North American ports and South American ports under foreign flags?

Mr. DEARBORN. In those days there were more high-class ships that ran between England and South American ports than from here. I mean to say there was a time, I think, that passengers had to go to England and take passage from England to South America. Of course, they had a large beef business, ships with big refrigerating space, carrying freight at very profitable rates.

Senator LIPPITT. From Argentina?

Mr. DEARBORN. From Argentina?

Senator LIPPITT. To England?

Mr. DEARBORN. Yes, sir.

Senator LIPPITT. At very profitable rates?

Mr. DEARBORN. Yes; ships specially designed and high-class ships; but passenger ships were put on between New York and South American ports, and very good ships.

The CHAIRMAN. Not of as high a class, though, as these foreign vessels?

Mr. DEARBORN. No; I do not think they were.

The CHAIRMAN. And not of as great speed?

Mr. DEARBORN. No, sir; but ships that we would call very satisfactory; ships with a speed of probably 13 knots, and ships that which would carry 150 passengers. Take the Lamport & Holt Line. You will see some very fine ships there.

Senator JONES. Is it not a fact there are very much better business and banking connections between South America and England than between South America and this country?

Mr. DEARBORN. There was communication there—travel there—trade existing that we did not have.

The CHAIRMAN. But you do not undertake of your own knowledge to say that there is not discrimination on the part of foreign ship-owners in favor of the products of the country under whose flag they may sail and the products of this country?

Mr. DEARBORN. Does it not stand to reason when I say a British shipowner—

The CHAIRMAN. I asked you if you had any personal knowledge.

Mr. DEARBORN. No; I have not, except to take a common-sense view of it all.

Senator LIPPITT. Did you ever hear of such a thing?

Mr. DEARBORN. I have heard it said.

Senator LIPPITT. Did you ever hear of such an operation going on?

Mr. DEARBORN. No; I have heard it is an argument which has been advanced in support of this bill.

Senator LIPPITT. Before that question arose, before the last two years, did you ever hear that sort of argument advanced?

Mr. DEARBORN. No, sir.

Senator LIPPITT. That is something that has come up in connection with these two shipping bills, is it?

Mr. DEARBORN. It is, as far as my knowledge is concerned.

The CHAIRMAN. Do you mean to say you never heard before this bill was introduced that ships flying foreign flags discriminated against American exports in favor of exports of their own country?

Mr. DEARBORN. I never heard that; no. I never heard them say there was any policy of discrimination.

The CHAIRMAN. I am not talking about a policy, but I am talking about a fact. Did you never hear that was a fact and a well-established fact?

Mr. DEARBORN. I am not qualified to speak about it. I was speaking about what our own business was. We are now in the foreign trade for the first time.

Senator LIPPITT. As a matter of fact, prior to two years ago did you ever hear that idea discussed in the shipping trade—that there was discrimination between American and English freight by English steamers, for instance, in favor of England?

Mr. DEARBORN. I do not recall it. I was not in position really to hear that, because we were not in that business.

Senator LIPPITT. Then you never did hear it?

Mr. DEARBORN. Therefore I say I did not hear it. It might have happened; it might have been there, and I do not say it was not. I am only pointing out that I can not imagine a British shipowner caring any more about British shippers than an American cares about American shippers, except he wants their good will and trade.

The CHAIRMAN. I confess myself somewhat surprised at your statement, because I had assumed it was admitted all around.

Mr. DEARBORN. I am talking about conditions before the war.

The CHAIRMAN. It is generally admitted that there were discriminations, not only as to rates, but as to the character of accommodation and as to schedules.

Mr. DEARBORN. I acknowledge, as far as ships were concerned, as to the accommodation for passengers.

But when this bill was proposed originally it was to meet an emergency. The only way in which more ships could have been added to the carrying trade at that time was to have bought those German ships. That was the only method. But whatever they bought they would simply be transferring a ship from one trade to another. Now, that bill failed to pass, and what has happened since? We proposed at that time—our chamber of commerce—to provide for an equalization, the first cost of a ship, the difference of the cost here and abroad, and the difference of cost of operating. Then, with these tremendous advances in freights and with the inability of England and other countries to turn out ships, there has been more capital gone into shipping in this country and more ships have been built, mostly contracted for after this bill failed to pass, in the belief that it would never be revived, and I do not believe if they had known that this bill was to be taken up and passed that the capital would have gone into it.

The CHAIRMAN. Can you give the committee any facts showing the amount of tonnage for foreign commerce built since the beginning of the war in this country?

Mr. DEARBORN. They have been published. I have seen records of them.

Senator LIPPITT. Are you familiar with the testimony put in on that point by the Secretary of Commerce, Mr. Redfield?

Mr. DEARBORN. Yes, sir; I remember reading his testimony.

Senator LIPPITT. In the House hearing?

Mr. DEARBORN. Yes; I think he went quite fully into the number of ships building—showed a very large list.

Senator LIPPITT. Do you know whether that testimony is substantially accurate?

Mr. DEARBORN. It must be accurate, because they have the statistics published from time to time by the different trade papers of the different yards and ships.

Senator LIPPITT. You have not examined it enough to know whether you approve of it? I have no reason to suppose it is not accurate myself.

Mr. DEARBORN. No, sir.

Senator FLETCHER. He showed all the workings of all yards and everything.

Mr. DEARBORN. I think it was a very complete list.

But something has been done. Ships are being built, and more will be built. These yards are full up, as I understand it, for two years. Capital has never been in ships. That has been the trouble in this country; you could not get capital interested in ships. They had better employment for capital in other developments. That was the great trouble after our Civil War, because capital could be better employed in building railroads and in developing the country. If we had gone into shipping at that time we probably would have found a way to remain in it. Now that new capital has come in and you want this to develop more and more—I assume that you do not want the Government to go into business—I see no more reason why you should go into ship business because freights are high than you should buy sugar plantations because the price of sugar is high, or zinc mines because that metal is high. A ship is an article of commerce; it is a manufacturing plant—it manufactures transportation.

The CHAIRMAN. You do not think this activity of private capital in building ships is largely because of high freight rates?

Mr. DEARBORN. Why, of course, they are building them because freights are high.

The CHAIRMAN. That is the reason they are building them?

Mr. DEARBORN. Yes, sir; they are getting into them; and if once one gets into a business, just like England, when they get into it they have to stay in it.

Senator FLETCHER. Do you think we need any naval auxiliaries?

Mr. DEARBORN. I think the ships that are building would provide naval auxiliaries. Take our own fleet, I know the Navy has a very high opinion of our own ships and considers that in time of war they would be very valuable auxiliaries, and other ships are being built of the same type.

The CHAIRMAN. Then, I understand that you think that these gentlemen who are investing their money and building ships for the foreign trade will continue their ships in that trade under the American flag after the war is over?

Mr. DEARBORN. I simply say we have an opportunity at this time, not equal to the opportunity that England took advantage of after our Civil War, but approximating to go ahead and build ships. You know contracts can not be made in England at any price or for any time.

Senator LIPPITT. You mean contracts for shipbuilding?

Mr. DEARBORN. For shipbuilding, and I think at the present time that the price of ships in this country would not be much more than on the other side.

The CHAIRMAN. The price of building?

Mr. DEARBORN. The price of building.

The CHAIRMAN. The question I should like for you to answer is the one I just asked, and that is whether the gentlemen who are investing their capital in shipping under the American flag will continue in the ocean-going trade after the war closes under the American flag?

Mr. DEARBORN. Why, I believe that if the business is profitable it all depends upon the profits in the business. And I think there are very large concerns going into it. I know of one, the International Corporation.

Senator LIPPITT. What is the name of it?

Mr. DEARBORN. It is called the International Corporation. England's merchant marine has grown to such a proportion and Germany's merchant marine has grown to such a proportion that you might say there is no place for a piker to come into business. The business has to be done in a big way.

The CHAIRMAN. Your general proposition has been that if the Government did not interfere by entering into the business itself that private capital will take hold of this situation and will supply this country with adequate ocean-going transportation?

Mr. DEARBORN. I believe that there is a good probability of it and I believe it is being demonstrated to-day by the number of ships being built, and I believe if this bill passes that no sane man with capital would build a ship with the prospect of competing with the Government.

The CHAIRMAN. Then you think, if there is not Government competition, that the American capital will build sufficient ships to accommodate our trade, and that those ships will remain permanently in ocean transportation under the American flag?

Mr. DEARBORN. I say it all depends on the profit of the business. I am of the opinion for this reason, that England to-day is taxing shipping at the rate of about 65 per cent. In all probability, that large supertax will be imposed there for a long time after the war. That will probably more than equalize any difference that is likely to exist between the difference of cost of ships here and on the other side and the cost of operation. That will be a tremendous advantage.

The CHAIRMAN. It is your opinion that after the war closes the difference in the cost of operating a ship under the American flag and under a foreign flag will not be sufficiently great to drive these ships now being built for that trade out of the trade or force them to transfer to a foreign flag?

Mr. DEARBORN. I do. I believe there is every prospect for that.

The CHAIRMAN. You do not think, then, there is any necessity for a subvention or a subsidy?

Mr. DEARBORN. No, sir.

The CHAIRMAN. Or a differential?

Mr. DEARBORN. No, sir.

The CHAIRMAN. Or Government operation?

Mr. DEARBORN. No, sir. Leave us alone; let well enough alone.

The CHAIRMAN. It is your judgment that private capital will not only furnish enough shipping to meet the present war emergency, but it will continue the ships now being built for the foreign trade in that trade permanently?

Mr. DEARBORN. Yes, sir. Of course, I do not pretend to say we are going to provide ships in the very near future for all our exports.

The CHAIRMAN. Then you believe there is nothing to fear from foreign competition?

Mr. DEARBORN. I think we have a good chance of meeting foreign competition.

Senator FLETCHER. Let me ask you two questions on that point. What do you estimate to be the tonnage required to do our overseas trade?

Mr. DEARBORN. Senator, I can not answer that.

Senator FLETCHER. What tonnage do you estimate this bill would provide?

Mr. DEARBORN. At the present cost of ships, I should say \$120 a ton—perhaps \$125, I should put that.

Senator LIPPITT. It is \$150, is it not?

Mr. SHERMAN. Nearly.

Mr. DEARBORN. I do not know. We were negotiating in February for two ships carrying 13,000 tons, at a price of \$115 a ton, which was 80 per cent more than we paid for sister ships some years ago.

The CHAIRMAN. Were those simply freight carriers or freight and passenger carriers?

Mr. DEARBORN. They were high-type freight carriers. Well, we looked it over; we said, "All other ships are being built on that basis; they have got to get a price that is going to pay a return on the investment," a return that we estimated would be necessary to produce 6 per cent would be the maximum we had ever had before the war.

Senator FLETCHER. Let us get back to the amount of tonnage this bill would provide, according to your judgment.

Mr. DEARBORN. Well, \$125 a ton; that would be about 400,000—say 50 ships of 8,000 tons each.

Senator FLETCHER. It would take more than 400,000 tons to do our business, would it not?

Mr. DEARBORN. Oh, yes; that would be a mere bagatelle.

Senator FLETCHER. If 400,000 tons, then, were injected into our foreign trade, need that discourage people who have got to supply the other 3,600,000 tons? Does that not leave leeway enough for private capital? And why should private capital be discouraged when they have got to supply 3,600,000 tons in order to do our foreign business, when they have not now got over 2,000,000 tons under our flag in that business?

Mr. DEARBORN. Except, Senator, private capital looks at that as an opening wedge, and to build those ships—

Senator FLETCHER. That is what I want—to get your idea.

Mr. DEARBORN. If there was absolute assurance that those ships would stop there, but you have in this bill provided for the purchase and building of ships. To buy ships you have to pay a price that would be based upon the present earning power of the ship, and whatever you bought would not add any ships to the carrying trade, so it is fair to assume, now, that you will build. You attempt to build,

say, 50 ships, and you probably would not get the ships inside of three or four years, and you will fill up every yard in the country and have to use the Navy yards, and I do not see what chance the private owner would have.

Senator JONES. No, nor chance we would have to go on and build the big increase in the Navy.

The CHAIRMAN. You say private capital is getting ready to supply us, and immediately after that you say if the Government undertakes to build these ships, that on account of the congested condition in our shipyards, it would take four or five years before we could get them built. Would not the same thing be true of private capital?

Mr. DEARBORN. The private capital would build the ships you propose to build.

The CHAIRMAN. That is the point I make. If the Government could not get them built by reason of the congested conditions in the shipyards, how could private capital secure them built any quicker?

Senator LIPPITT. They could not.

Mr. DEARBORN. They could not. Supposing private capital should invest \$50,000,000 in new ships instead of the Government. That would be doing pretty well for private capital in that period.

The CHAIRMAN. Like the Government, they either have got to build or buy them. And you say the shipyards are full of orders and can not build any more ships.

Mr. DEARBORN. I think the shipyards are full up for at least two years; therefore if this bill does not become a law I think private capital would go on building just as it is building to-day, but I think if this bill does become a law and you built these ships that private capital could not compete with the Government. If the Government had that money to spend, it would spend it, whatever price it had to pay.

The CHAIRMAN. I thought one of your objections to this Government scheme was that the Government, even if the money was appropriated and the bill passed authorizing the construction of those ships, could not get any ships built, because the shipyards had all they could do without building ships for the Government?

Mr. DEARBORN. I say you would fill up the shipyards for three years, probably, and private capital would not have a chance.

Senator LIPPITT. You mean the shipyards are now full for two years and the Government would fill them up for another year?

Mr. DEARBORN. For another year, and perhaps another, perhaps for two years more.

Senator LIPPITT. So if private capital wanted to go in, it could not?

Mr. DEARBORN. Not even then; and private capital would be forced out and could not compete—if it could not compete with the Government in building it could not compete with the Government in operating.

The CHAIRMAN. You do not think that the shipbuilders of this country, if offered a contract for \$50,000,000 worth of new ships, would enlarge their plants or build new plants?

Mr. DEARBORN. I think they would.

The CHAIRMAN. As rapidly as possible to do it in order to get those contracts?

Mr. DEARBORN. Yes. Of course, new plants are going up. I think the capacity of the shipyards is increasing.

The CHAIRMAN. Do you not think they will continue to increase their capacity as the demand increases, and that they will probably keep pretty nearly up with the demand?

Mr. DEARBORN. Well, of course, there are not many yards that have the opportunity for any great expansion. It is a matter of land, you know, to lay down a ship, to lay the ways down. They can increase the units of their plants and their machine shops. There is a new plant going up in Puget Sound. They never built ships there before. They are building seven or eight big ships.

Senator LIPPITT. Steel ships?

Mr. DEARBORN. Steel ships. There is a firm near New York, Milliken Bros., fabricating plant—they are going into the building of ships.

Senator LIPPITT. Where are they located?

Mr. DEARBORN. On Staten Island. There is a new plant at Chester.

The CHAIRMAN. When the war began the munition manufacturers of this country were not in a condition to supply at once the great demand, but they rapidly enlarged their plants and built new plants until to-day they are in pretty good condition to meet any demand that may be made upon them. Do you not think the same thing would happen in the shipping industry, provided the demand was sufficient to justify it?

Senator LIPPITT. And the price high enough?

Mr. DEARBORN. And the price high enough; yes, sir.

Senator LIPPITT. But in the case of munitions it was the price high enough that started all those factories?

Mr. DEARBORN. The munition manufacturers are getting 25 per cent down in cash; it gives them a 25 per cent working capital, and when they have finished the contract they have paid for their plant and everything else.

Senator LIPPITT. In other words, the foreign Government furnishes the money to build the factories?

Mr. DEARBORN. Yes, sir; but I do not think that is an analogous case. I was speaking of the timidity of capital.

The CHAIRMAN. Suppose the Government were to go out tomorrow and advertise that it wanted to let contracts to build ships to the extent of \$100,000,000. Have you any question in your mind that the shipbuilders of this country would put themselves in position to supply those ships within a reasonably short time?

Mr. DEARBORN. I think they would like to, but I do not think it is possible. I think it is a question of skilled labor; I think it is a question of getting the tools and the organization, and if they had the material and wanted the business, I think it would be physically impossible for them to deliver the ships in very much shorter time.

The CHAIRMAN. Difficulties of that character that would doubtless confront them, but would they be any greater than the difficulties of the same character that the manufacturers of munitions had to meet?

Mr. DEARBORN. That is the trouble, the munition factories take labor away from farms and shops and everywhere.

Senator JONES. Are not the munition plants confronted with that very condition now?

Mr. DEARBORN. They are. They are scouring the country for labor. They are sending scouts out to other plants to steal their labor.

The CHAIRMAN. That is very largely so in most of the industries now, is it not?

Mr. DEARBORN. That is true.

Senator LIPPITT. You have not any doubt if the Government contracts for \$100,000,000 or \$50,000,000 of ships that within some time the shipbuilding industry of this country would provide means to build those ships?

Mr. DEARBORN. Oh, certainly.

Senator LIPPITT. Fix a price at which they would build those ships?

Mr. DEARBORN. They would.

Senator LIPPITT. But what that time would be, it is a question, is it not?

Mr. DEARBORN. It is because an estimate of it would be almost impossible, but the country knows that if the Government once gets into a business it stays there. Now, I can not feel when you are dealing with this that it is the urgent emergency it looked; it might be helpful provided you could get ships that were tried up. That time has passed away, and it seems that this war would be over by the time these ships would be built.

The CHAIRMAN. Are you aware of the fact that there is a provision in this bill that the Government is not to operate any of these ships after five years?

Mr. DEARBORN. I am; but that the private owners feel just as we do to-day. We have 24 ships engaged in the foreign trade and our profits are abnormal. The question came up as to whether we should conserve our surplus earnings and apply them to new ships or distribute them among our stockholders, and we came to the conclusion that this Government bill was a great menace.

We competed with the Panama Railroad, and that service has been cited, I think, by the supporters of this bill as a precedent for Government ownership. The Panama Railroad was operating steamers and the railroad made a very good showing, but they competed with us in carrying freight between New York and San Francisco. For many years when they had what they called normal divisions, or gave the carriers on the Pacific coast their normal share of revenue, they did not get much business, but they finally changed those conditions and gave the carriers on the coast 70 per cent of the revenue and only gave their Government steamship line 15 per cent, which did not cover cost of handling freight, but they made so much money on freight of which they had a monopoly that the net result was satisfactory.

Senator LIPPITT. What freight did they have a monopoly upon?

Mr. DEARBORN. South American. Panama took freight overland, South American and Central American.

Senator LIPPITT. You mean on the west coast?

Mr. DEARBORN. On the west coast, carrying coffee from Guatemala. If the Government had no other business and did that for nothing they would have put us out of business.

Senator LIPPITT. What did they compete on?

Mr. DEARBORN. Between New York and San Francisco we were running by the Tehuantepec Railroad those days. That was before the opening of the canal.

The CHAIRMAN. This bill provides for the regulation of traffic rates by the Government, does it not?

Mr. DEARBORN. Yes, Sir.

The CHAIRMAN. Do you think the Government having the power and exercising it, of fixing the rates at which privately-owned ships should carry commodities, would establish, if it was running its own ships, a lower rate for the ships operated by it than those prescribed for ships operated by private interests?

Mr. DEARBORN. There is the uncertainty.

The CHAIRMAN. Is it reasonable to suppose the Government could do that?

Mr. DEARBORN. Assuming that the Government operated the ships themselves?

The CHAIRMAN. Assuming the Government operated these ships.

Mr. DEARBORN. As a corporation?

The CHAIRMAN. It proposed to build and exercise the powers given it in this bill to regulate the rates of shipping. Do you believe it would prescribe a rate for the privately owned ships and then establish a lower rate for the ships that it did operate?

Mr. DEARBORN. Well, it all depends upon the rate they prescribe for—

The CHAIRMAN. No matter what rate they prescribe, do you believe the Government would establish for itself lower rates than it prescribed for the privately-owned ships?

Mr. DEARBORN. No; that would be unthinkable.

The CHAIRMAN. I think so.

Senator JONES. Do you mean the Government is going to fix the rates in foreign commerce under this bill?

The CHAIRMAN. No; I do not think the Government fixes the rates. It only has power to provide against discrimination.

Senator JONES. That is what I understood.

The CHAIRMAN. But they have that right in the coastwise trade.

Senator JONES. The Interstate Commerce Commission?

The CHAIRMAN. They have that right in the coastwise, but I do not think its powers are quite that broad as to foreign trade, although I thought you gentlemen contended that the board was given the right to prescribe rates in the foreign trade.

Mr. DEARBORN. Ships working under conference agreement, as the bill reads, must submit those agreements to the board, and their rates must be regulated to some extent, only applying to those in conference agreements. Of course, in the coastwise trade, they do regulate our rates, as I said to Judge Alexander's committee, the railroads have already regulated our rates.

Senator FLETCHER. If the Government had acquired \$50,000,000 worth of ships a year ago, what do you suppose they would be worth now?

Mr. DEARBORN. They would be worth a great deal of money. The question is, what could you have bought? You could not have bought English ships. You could perhaps have bought Norwegian ships. It would not have added any more ships if you had bought them, and who would have had the benefit of them?

Senator JONES. If you acquire \$50,000,000 now, what, in your judgment, will they be worth in five years?

Mr. DEARBORN. I do not think I should want to be a stockholder.

The CHAIRMAN. This bill also provides against what is called the fighting ship, does it not?

Mr. DEARBORN. Yes, sir.

The CHAIRMAN. That is now very frequently employed for the purpose of destroying competition. Do you think that if the Government should go into this business that it would undertake to lower the rates upon its ships below those rates charged by privately-owned ships, thereby practically making the Government ships fighting ships?

Mr. DEARBORN. Well, if the Government ships, for instance, are going to play so small a part as they must play, even if you had the number of ships the money provides for, if they are going to play so small a part they could hardly be rate makers, because the ships carrying the bulk of the business would probably ignore the Government ships and say, "Let them take the freight at any rate they please." Then it would be a question of what shippers would get the benefit of the lower rates the Government ships would make.

The CHAIRMAN. The point I am trying to get your mind on is this: Do you think the Government, if it goes into this business, would establish for its ships such rates as applied to private ships would be unremunerative?

Mr. DEARBORN. Well, it would all depend upon the cost of the private ships. There are some ships in commission to-day that cost \$180 a ton, and other ships that cost \$60 a ton. Now, assume that the Government fixed the rate of freight on the price they would have to pay for ships, it would be enough to satisfy the man who paid a very low rate for his ship. Of course the shipowners figure interest and depreciation 6 per cent and 5 per cent. That is fundamental, you have got to enter that charge before there is any profit. That is the difficulty you would have in fixing, I might say, a reasonable rate between the great difference in the cost of ships to-day.

Senator LIPPITT. You spoke a while ago and then branched off from it, of the fact that your stockholders consider the question of whether you would divide your large earnings, or whether you would put them into new ships?

Mr. DEARBORN. Yes, sir.

Senator LIPPITT. And that you took into consideration the menace of the shipping bill, the menace of ships built as proposed by this bill. What conclusion did you arrive at? Did you decide to go-ahead and build more vessels?

Mr. DEARBORN. We decided we would not.

Senator LIPPITT. That is, on account of this bill you, in your specific case, decided you would not go ahead and extend your business?

Mr. DEARBORN. While this bill seemed to be limited to five years, we felt that if the Government gets into this business that there will be a cessation of building by private owners, and the time will come when no more private ships are being built, and the Government will say it shall have and carry on this business; we have scared capital out and we want to regulate their rates, now we have

got to go on and do the business, so I think the premises were correct. I think the possibilities, even the probabilities, are as I have indicated.

Senator LIPPITT. Whatever the reason was, the judgment of your managers was that it should not invest in more ships?

Mr. DEARBORN. Of course the price of ships is so high we thought to stand the cost of two ships, but we said, "No; if the Government is going into the business we are finished so far as any development is concerned."

The CHAIRMAN. You were afraid the Government would inaugurate a destructive competition as against ships owned by its own citizens?

Mr. DEARBORN. I think it would probably be likely to eventuate that way.

The CHAIRMAN. Do you think that would be wise public policy?

Mr. DEARBORN. I think it would be unwise.

The CHAIRMAN. Do you think it would be fair for the Government to establish such rates for the ships owned and operated by it, as would destroy ships privately owned and operated under its own flag?

Mr. DEARBORN. Well, I look at it and others look at it in this way: That this is an opening wedge for Government ownership, beginning with ships, and it is likely to extend to other industries.

The CHAIRMAN. You do not fear this \$50,000,000 worth of ships, but you fear the principle would be extended?

Mr. DEARBORN. I do.

The CHAIRMAN. So as to constitute a monopoly?

Mr. DEARBORN. I think your going in and building these ships and filling up the yards would make it impossible for private owners to build; then I think private owners would be out of it; then these ships would be put on and somebody is going, perhaps, to have the benefit of these lower rates, and certainly the purpose of these ships must be to give the shippers the benefit of lower rates; then different communities would want ships and more ships, and I think finally the Government would be likely to find itself in a position where it would have to go into the business permanently and wholly.

The CHAIRMAN. Then, you do not think this provision, that after five years the Government shall not operate any ships, is in good faith?

Mr. DEARBORN. I think it may be repealed. I think the Government, by going into it, will bring about a situation that perhaps later it may be warranted in remaining in it.

Senator LIPPITT. By the competitors?

Mr. DEARBORN. By the competitors, too, because it would drive the private owners out.

Senator FLETCHER. Suppose it was put in in good faith and the Government does go out of the business of operating ships in five years, will there be any harm in the bill then?

Mr. DEARBORN. No; I do not think so, as far as \$50,000,000, but why take that chance?

The CHAIRMAN. You said there was a great demand for ships now?

Mr. DEARBORN. Oh, yes.

The CHAIRMAN. If the Government should build these ships, do you think it would have any trouble in leasing, chartering, or selling them at good prices?

Mr. DEARBORN. To-day?

The CHAIRMAN. Yes.

Mr. DEARBORN. Oh, yes; but when are you going to have the ships? It could certainly not be less than two years, and after the war is over there must be a big reaction in rates.

The CHAIRMAN. After the war, if the Government offered them for sale, lease, or charter, do you think there would be any difficulty to find takers?

Senator LIPPITT. Would it not all depend on the price, your answer to the question the chairman has asked you?

Mr. DEARBORN. Yes, sir.

The CHAIRMAN. Of course assuming a fair market price?

Mr. DEARBORN. It is a grave question, I say, whether these ships could earn, two or three years after the war was over, much of a return on their cost at the present price.

The CHAIRMAN. If that be true of the Government-owned ships, what encouragement is there for private capital to build ships to be operated after the war?

Mr. DEARBORN. Well, private capital is in it now and new private capital is in the business; private capital has a good deal of money from present profits, and they could build a certain number of ships, and compared with the ships that cost them very much less money, they could have a pretty low average. But the Government starting in now will pay the maximum on all their ships. That is what we considered, that the price was big, but our average price would be fairly low.

Senator JONES. When a business gets started it can be carried on at a lower return than it could start in on, could it not?

Mr. DEARBORN. Yes, sir.

Senator JONES. And when it does once get started it is likely to keep on even though the return on capital is not so great?

Mr. DEARBORN. Yes, sir.

Senator LIPPITT. Are there many contracts for shipbuilding being offered now which can be carried on at a lower return than it could start in on?

Mr. DEARBORN. Yes, sir.

Senator JONES. And when it does once get started it is likely to keep on even though the return it gets on its capital is less?

Mr. DEARBORN. Yes, sir.

Senator LIPPITT. Are there many contracts for shipbuilding being offered now than deliveries are possible from the shipyards?

Mr. DEARBORN. I have seen reports of contracts being made and material being sold to shipbuilders under new contracts. I do not know myself that any new contracts have been made recently. Of course, it is like freight, you know they went up very high and they have receded, the number of ships has grown pretty rapidly.

Senator LIPPITT. Are you familiar with that particular situation as to whether there are still orders being placed with the shipyards for delivery after two years or after the present orders are finished?

Mr. DEARBORN. There have been orders placed, I know, within the

last two months. I do not know whether there are any being placed now.

Senator JONES. Do you think if the Government were to provide for the building of \$50,000,000 worth of ships that would have a tendency to prevent or retard private shipbuilding?

Mr. DEARBORN. Yes, sir.

Senator JONES. Do you think that retardation would be as great as under the operation of this bill?

Mr. DEARBORN. I do not know.

Senator JONES. I know you do not, but I want to know what your judgment is?

Mr. DEARBORN. I say this. Supposing they did not build so many ships and this war should end within a year and there should be a great reduction in freights, not back to normal basis, I am not looking for such rates as existed before the war on account of the high costs of ships.

Senator FLETCHER. One witness testified at page 442 of these hearings, Mr. Gibbony, and he said:

Now, there is a prevailing impression that no ships can be built in this country at the present time. That is not true. I was told by Mr. Bruckner this morning that the Secretary of the Treasury made that statement the other day. But I am up against this shipping proposition every day, and my company has bought a shipyard within the last two months at Noank, Conn., within 135 miles of New York City. We are building there six boats at the present time, and if this bill goes through we will be in a position to contract with the Government for nine boats, which we will agree to complete within 18 months, of 5,000 tons each.

Mr. DEARBORN. What he says there is that they built some barges and lighters. They never built a craft of over 1,000 tons.

Senator LIPPITT. You never built a steam vessel at all?

Mr. DEARBORN. No; that is Mr. C. W. Morse, attorney.

Senator LIPPITT. Do you think that statement is true that there is any plant at Noank? What class of water is there at Noank?

Mr. DEARBORN. It is pretty low; it is pretty shallow.

Senator LIPPITT. You could not get 12 feet of water out there, could you?

Mr. DEARBORN. I do not know what it is, but I know they used to build a good many lighters and barges there.

Senator JONES. I saw some remarks in other parts of that record not very complimentary to Mr. Gibbony.

Senator LIPPITT. Does Mr. Gibbony make that statement that any plant at Noank could construct vessels of that kind?

Senator FLETCHER. He does not say it is now, but that they can put it in at Noank to do it, as I understand. And another witness says they could have another plant within 50 miles of Washington.

Mr. DEARBORN. I think that would be a fine combination, the United States Government and Mr. C. W. Morse.

Senator FLETCHER. They put \$2,000,000 into it, it seems, lately; they got it somehow; they got a good many ships, according to this statement.

Mr. DEARBORN. They got a lot of lake boats.

Senator JONES. I am afraid that is a good deal like Mr. Peter Manson promising to put ships on the Pacific some eight months ago.

Senator LIPPITT. He also talked about buying ferryboats to put in the foreign trade.

The CHAIRMAN. I understood the witness to say that some of these ships were built or are being built for the lake trade.

Mr. DEARBORN. Senators, if you will only keep your hands off this and let well enough alone. I have got a business and I should like to see it developed, and I have a boy growing up in the business, and my partner has got a boy growing up in the business, and want them to have something to work for.

The CHAIRMAN. But I was interested in your statement that some of these ships were being built in the yards that the Senator from Florida spoke about for the lake trade. Is that true? Did you mean that?

Mr. DEARBORN. Oh, no; I mean to say that a lot of steamers are being built on the Lakes for foreign trade, comparatively small ships.

Senator LIPPITT. You meant he bought lake vessels to put into the foreign trade?

Mr. DEARBORN. He bought some small vessels.

Senator LIPPITT. He testified he bought several lake vessels and put them in the foreign trade.

The CHAIRMAN. I thought he said he was building vessels for the lake trade.

Mr. DEARBORN. No; he said he bought some.

Senator FLETCHER. He bought 14, he said, and they were bought on the Great Lakes, most of them.

Mr. DEARBORN. Yes; they were on the Great Lakes, I am sure.

Senator LIPPITT. You have been asked once or twice about the injury that this would do, whether you thought this would do any injury to the shipping trade. I should like to ask you whether you think the provisions of this bill would be of any benefit to the shipping trade?

Mr. DEARBORN. No, sir.

Senator LIPPITT. Do you think they would be of any benefit to the owners of the products to be shipped?

Mr. DEARBORN. Looking upon ships as I do upon any other manufacturing plant, they have to meet competition, and their rates are based upon conditions of supply and demand—they do not control anything.

Senator FLETCHER. You do not mean to say that our tonnage is adequate now, do you?

Mr. DEARBORN. Oh, no; but I imagine that England and Germany, after this war is over, are going to make every effort to maintain their prestige.

Senator LIPPITT. As a matter of fact, would not England have to have a mercantile marine regardless of what the profit, and regardless of what the returns were to her of that mercantile marine? Is not her position such that under any circumstances for her salvation and at any price she must have a mercantile marine?

Mr. DEARBORN. Her geographic position, her colonies, I think, on account of those things that it is essential.

Senator LIPPITT. Will you answer that question yes or no?

Mr. DEARBORN. Yes.

Senator LIPPITT. I mean is that not your opinion?

Mr. DEARBORN. It is absolutely essential to her.

Senator JONES. Mr. Dearborn, probably you have stated your position in a general way, and I think I understand it, but, independently of, or aside from, the objections to the bill on account of the Government going into this shipbuilding industry and operation, I should like it if you would point out the particular objections that you have to the provisions of this bill as adapted to normal shipping conditions, as it passed the House.

Mr. DEARBORN. The regulatory fixtures of it?

Senator JONES. I want your objections to the bill. When you appeared before the House committee, of course, the bill had not been finally framed; but now we have the bill as it passed the House, and I find that not such a great many people think it is in its terms, and I suppose you have examined it since it passed the House?

Mr. DEARBORN. I have.

Senator JONES. And I should like to have you point out, as concisely as possible, your fundamental objections to the terms of the bill aside from the Government feature. I should like to have you do that.

Mr. DEARBORN. I say that what I object to is the rate-regulating power that this board would have.

Senator JONES. Do you object to that as applied in the interstate trade—the coastwise trade?

Mr. DEARBORN. Yes, sir.

Senator JONES. I noticed that some of those who testified in the House said that they had no particular objection to that as applied to the interstate commerce.

Mr. DEARBORN. But I am speaking of a coast-to-coast trade. Take the coastwise lines here, which make rates to local points and have arrangements with the railroads, they are under the interstate law.

Senator LIPPITT. Did you testify before the House committee?

Mr. DEARBORN. I did. What I pointed out as my objection to the rate-making power was that it would be unworkable. I asked Judge Alexander, "Please give me the definition of a reasonable rate. Is it based on return of the investment or based on condition of supply and demand?" The reply was, "Well, you must expect the board to be reasonable." "Why," I said, "if private property is to be regulated, the owners want to know what the regulation is going to be. If you are going to fix 6 per cent as a reasonable margin of profit"—

The CHAIRMAN. Why is there any more difficulty about fixing a reasonable rate for a ship than for a railroad?

Mr. DEARBORN. I do not see that there is any analogy between a ship and a railroad. A railroad gets something from the State, gets a franchise; its units are the same; there is a similarity in the conditions of all railroads; they get the monopoly of certain territories. The ship gets nothing from the State; the ship gets less from the State than a manufacturing plant, and in the foreign trade gets no protection outside of the 3-mile limit; and taking the character of the units of a water character, a ship, how can it conform to the regulations that control the railroad?

Senator FLETCHER. The law now gives that power to the Interstate Commerce Commission, and all this bill does is to transfer from the Interstate Commerce Commission this function to the shipping board?

Mr. DEARBORN. No; the Interstate Commerce Commission has no control over port business, none whatever.

Senator FLETCHER. Interstate business, coastwise trade?

Mr. DEARBORN. No, sir.

Senator FLETCHER. Over your lines?

Mr. DEARBORN. No; it is only those lines that are making through rates to local points with railroads; but if we can change our rates only on 10 days' notice, and the ship wants 500 tons of freight, when we are disappointed in not getting freight we have engaged—and you must remember the obligation is always on the part of the ship, and not upon the shippers—it is quite customary for shippers to engage more space than they want in order to be on the safe side and fall down at the last minute; then if we can not change our rates, the ship must go out with that space empty, and some shipper is going to lose the opportunity to ship at a lower rate.

Senator LIPPITT. You have to have various grades of freight?

Mr. DEARBORN. We have to have coarse freight for bottom cargo, and can only take so much of that kind of freight.

Senator LIPPITT. And other kinds in other places in the ship?

Mr. DEARBORN. Yes; we have to look after the stability of the ship, the trimming of the ship, and that is why I say the rate-making freight power is absolutely unworkable. I think we can stand it taking our own trade with a regular service and 20,000 or 30,000 shippers, although it would put us to a lot of trouble, make it difficult, but I think it would drive out the small competition. The tramp steamer is the best regulator of rates for regular lines, and if a tramp steamer, carrying general cargo, and general cargo must come under the provisions of this bill, you could not discriminate.

Senator JONES. You have tramp steamers in the coastwise trade?

Mr. DEARBORN. Between here and the Pacific coast.

Senator JONES. I say outside of that?

Mr. DEARBORN. No; take the trade between New York, Charleston, and Savannah, there is not sufficient volume of business to warrant it.

Senator JONES. So there is not so much objection to that, is there, in the ordinary coastwise trade?

Mr. DEARBORN. No, sir.

Senator JONES. Even in vesting this board with the power proposed?

Mr. DEARBORN. No; I think most of their business is under the interstate law now. But the coast to coast business, our business, it would be very difficult to meet the conditions. It would make it unworkable. The interstate law has allowed the railroads to make such low rates overland to compete with the canal that there is no danger of our ever being able to charge exorbitant rates if we had a monopoly of the business. Of course we have not that and never will have.

Senator JONES. What other objections have you to the terms of the bill?

Mr. DEARBORN. Speaking of our coastwise trade, which is our business, you make the penalty pretty high, that of imprisonment, and where a man might not be intentionally guilty.

The CHAIRMAN. The penalty for what are you talking about?

Mr. DEARBORN. Mr. Franklin, have you those notations on that? We went over that.

Senator JONES. What I should like to get at as concisely as possible are your specific objections to this particular bill and its terms.

Mr. DEARBORN. Of course I feel the fundamental thing of the bill, the ownership by the Government, that everything else does not matter compared to that. If we can stand that we can stand most anything.

The provision I refer to is as follows:

Fourth. Make any unfair or unjustly discriminatory contract with any shipper based on the volume of freight offered, or unfairly treat or unjustly discriminate against any shipper in the matter of (a) cargo space accomodations or other facilities, due regard being had for the proper loading of the vessel and the available tonnage; (b) the loading and landing of freight in proper condition; or (c) the adjustment and settlement of claims.

If I were a member of that board I should think there would be a good deal of difficulty in interpreting that and determining exactly what it meant.

Senator JONES. But you have no objection to the board trying to remedy those conditions, have you?

Mr. DEARBORN. What is unjust discrimination?

Senator LIPPITT. What page are you reading from?

Mr. DEARBORN. Page 13, section 18.

Say, for instance, a shipper has a lot of freight to ship and he does not ask us to take it at any particular time. We can take it any time it suits us. We can call upon him on 24 hours' notice. We make a concession. If the other man is not in that position he can not give us the same service. I am speaking of service, giving us the freight when we want it.

Senator JONES. In your judgment, you would not consider that an unfair discrimination, unfair treatment?

Mr. DEARBORN. No; that is fair treatment. This man is in better position than the other man and he is entitled to value of the facilities that he has created. I do not know how a board would look at that.

The CHAIRMAN. Have you any reason to believe that this board will be more drastic and unjust in the regulation of shipping rates than the Interstate Commerce Commission has been in the regulation of rail rates? There was very great objection in the beginning on the part of the railroads to that system, to the introduction of that system, but through the course of years they have been able to establish rates that seem to be reasonably satisfactory to the railroads and it is working admirably, I think, and I think the country believes that, and I think the railroads are reasonably satisfied with it now.

Senator LIPPITT. Might I just state in connection with that, that I expect there has never been in the history of the railroads a time in this country when they were so imperfectly performing their functions as they are to-day on account of their lack of building during the last three or four years, which lack of building was brought about largely by the fact they did not have money to do it with owing to the regulations of the Interstate Commerce Commission.

The CHAIRMAN. Would you suggest the abolition of the Government regulation of railroad rates?

Senator LIPPITT. I have not got a remedy for it just now, but I just made that statement. I thought I might just say that.

Mr. DEARBORN. Senator, is there not a great fundamental difference between the railroad and water carriers?

The CHAIRMAN. I understand the railroads would like very much for the Government to assume absolute control of the regulation of rates, both interstate and intrastate.

Senator LIPPITT. You mean the National Government in preference to the State governments?

The CHAIRMAN. Yes.

Mr. DEARBORN. But there is such a great difference between railroad and water carriers. The water carrier gets nothing—does not operate as the railroad does. You are trying to regulate something you can not regulate and limit. The Government can not force us to operate ships. Now, why not regulate manufacturing? Why pick on ships to start this regulatory method?

Senator LIPPITT. Has there been unjust treatment, unfair treatment and unjust discrimination against shippers generally in the shipping trade?

Mr. DEARBORN. I can only speak for ourselves. I think we have the good will of 95 per cent of our shippers. A ship's business is to accommodate the shippers.

The CHAIRMAN. One of the reasons the Government went into the business of regulating railroad rates was because of combinations between railroads, establishing rates without reference to competition. Now, is it not a fact that the shipping industry, not only of this country, but of the world, is regulated by conference agreements and understandings, and that these agreements and understandings have had the effect of abolishing practically competition in ocean rates?

Mr. DEARBORN. My opinion is, Senator—

The CHAIRMAN. Creating the same situation which led the Government to undertake the regulation of railroad rates?

Mr. DEARBORN. Yes; but if the Government had not intervened the railroads would have gone the limit. Ships can not. What do the ships own? Suppose you go into a combination; here is another fellow who can come in with three or four ships and butt into your business; if he is strong enough he will break you up. Combinations as a rule do not last long.

Senator JONES. Using your same track?

Mr. DEARBORN. Yes; using your same track.

The CHAIRMAN. I understand while these boats were operated by different corporations, separate and independent entities, that there has been for years a close combination between them as to rates and routing that has practically abolished competition upon the seas.

Mr. DEARBORN. Those ships in these conferences are but a small percentage of the total number of ships. Tramp ships far exceed the number of ships in regular lines.

The CHAIRMAN. Are not tramp ships about the only ships that really compete?

Mr. DEARBORN. But they really fix a basis for rates.

The CHAIRMAN. You mean they fix the basis for other rates?

Mr. DEARBORN. Yes.

Senator JONES. They have the great majority of the tonnage?

Mr. DEARBORN. They have the great majority of the tonnage. Of course a regular line gives service that a tramp ship can not give, and gets business a tramp ship can not get, but if they make money

there are plenty of people will go into the business and do go into the business.

The CHAIRMAN. Do I understand you as telling the committee that on account of the tramp ships that these combination agreements, these conference agreements, are made nugatory and of no effect, so far as abolishing general competition in rates by the parties to them?

Mr. DEARBORN. You mean to say that the combinations are not effective on account of the tramp steamers?

The CHAIRMAN. Yes.

Mr. DEARBORN. They are at times, but I say they do not last forever. When you come to the foreign trade, Mr. Franklin is so much better qualified to talk than I.

The CHAIRMAN. Have not these combinations effectively regulated rates so as to prevent real competition between the lines?

Mr. DEARBORN. Well, for a certain time; but in our business we have never been in combination, therefore when you get into that subject I think Mr. Franklin is much better qualified to discuss it than I, because I am in the coastwise trade.

Senator FLETCHER. Did not the combination run out the independents?

Mr. DEARBORN. What, in the coastwise trade?

Senator FLETCHER. No; in the foreign trade.

Mr. DEARBORN. I have been in the foreign trade only a short time.

Senator FLETCHER. The Hamburg-American Line set aside 4,000,000 marks for fighting ships?

Mr. DEARBORN. That was a fighting fund; I understand that.

The CHAIRMAN. What I understood you to say was there is nothing in the situation—in the ocean-carrying situation—that calls for Government regulation of rates.

Mr. DEARBORN. No; I think that the remedy is perhaps worse than the disease, and I think you are trying to cure something, and you might do more harm to the patient than good; that is, you might defeat what we all want in this country—a merchant marine—by attempting to correct something that does not need so much correcting.

The CHAIRMAN. When you speak about the patient are you speaking about the ships or the shippers?

Mr. DEARBORN. Speaking about the poor old merchant marine that has been dead for years and is now beginning to grow.

The CHAIRMAN. The object of regulation is to protect the shipper and not the shipowner?

Mr. DEARBORN. That is just it. Our experience has been that the poor ship never has any consideration. I see that the shipper always has a free hand to engage space he does not use, and I think there ought to be some obligation put upon the shipper.

The CHAIRMAN. How about the rates charged now?

Mr. DEARBORN. I guess he is getting more out of it than he ever did before. The other fellow is paying it, anyhow.

Senator JONES. Prices of everything to producers are higher than before the war came on?

Mr. DEARBORN. Yes, sir.

The CHAIRMAN. Yes; the price of wheat has gone up a little, but the price of—

Senator JONES. Cotton seems to bring a pretty good price also.

The CHAIRMAN. But the price of transportation on cotton and wheat has gone up probably 800 to 1,200 per cent.

Senator JONES. Why should the producer of cotton worry so much about that if he is getting a big price?

The CHAIRMAN. He would get more, probably, if freight rates were not so high.

The difference in the price of cotton in American ports now and English ports is very great; the difference is from 4 to 5 cents a pound.

Senator LIPPITT. It is perfectly apparent from that difference that the foreigner is paying the freight rate.

The CHAIRMAN. I was not discussing who was paying the freight rate.

Mr. FLETCHER. You do not mean to say the high freight on wheat is not a hardship on the wheat producers of this country?

Senator LIPPITT. The present price, you mean?

Senator FLETCHER. Yes.

Senator LIPPITT. What is wheat selling at?

Senator JONES. \$1.06, \$1.08, and \$1.10 in Chicago.

Senator FLETCHER. What is the freight on it?

Senator LIPPITT. I do not think it is any great hardship on the wheat grower when he is getting \$1.10 a bushel.

Senator FLETCHER. I know perfectly well when American wheat has to compete with Argentine wheat in European markets that the producer of that wheat in this country suffers from the high rate of freight that is fixed in Liverpool.

Senator LIPPITT. Do not Argentine shippers have to pay just as high prices as Americans?

Senator FLETCHER. Yes; but America has to compete in that market with Argentine and he does not pay all the freight. I do not concede but that he would get more for his wheat, if the freight was less, than he gets now.

Senator JONES. I want to ask you, Mr. Dearborn, about this commission—assuming we have a board. I see a great many statements have been made that this commission is like the Interstate Commerce Commission, and granting that the Interstate Commerce Commission has done good work, the question is whether this commission can be compared to it when it has upon its membership two purely political appointees.

Mr. DEARBORN. I should think it was a board of entirely different character and make-up.

Senator JONES. Do you not think the Interstate Commerce Commission, if it had two purely political appointees on it, would be an entirely different body than what it is considered now?

Mr. DEARBORN. It strikes me so.

Senator FLETCHER. In other words you would strike out from the bill the provision making it a nonpartisan board?

Senator JONES. What I am referring to is the two cabinet officers. Let men be appointed without regard to their politics.

Mr. DEARBORN. I do not think that shipping people criticize that.

Senator JONES. Now, Mr. Dearborn, are there any other provisions in this bill, or, rather, any other powers given to this board,

as affecting foreign commerce that you would especially give it, if we had to have a board?

Mr. DEARBORN. I would like you to ask Mr. Franklin that question. I have encroached upon his time too much already, I am afraid.

STATEMENT OF P. A. S. FRANKLIN, RECEIVER FOR THE INTERNATIONAL MERCANTILE MARINE CO.; PRESIDENT OF THE ATLANTIC TRANSPORT CO., WEST VIRGINIA.

Mr. FRANKLIN. Mr. Chairman and gentlemen, as practical steamship men we would very heartily welcome the Government inaugurating any program for the establishment of the American flag on the high seas, particularly in connection with foreign trade and commerce, but we feel that this bill neither deals with the present emergency nor will it construct a general mercantile marine. It might result in the Government investing \$50,000,000, which might buy in due course 300,000 tons of shipping, or something of that sort. It might establish certain lines of steamers, and it might give the board power with some of those steamers to endeavor to regulate anything that looked like unfair practice or discriminatory measures or anything of that sort, but that will not build up a general mercantile marine in the United States. We would like to see the Government attempt something that is constructive and will buildup the mercantile marine. The United States to-day has the best opportunity to go into shipping it has had in many years. The people generally are taking greater interest in shipping. You can get people to talk to you about investing money in shipping to-day and take an interest in companies who would not have thought of it prior to this war. It has advertised shipping tremendously. It has called the attention of the people of the world to the value and the importance of shipping and the importance of a mercantile marine to the country.

Now, if the United States wants to have a merchant marine they should get at it on practical lines. The people who are interested in the business and who are willing to back the business will tell you that it is necessary to create and build up a mercantile marine, but not on lines that are only going to build a few thousand tons, when lots of companies have a great deal more tonnage than that themselves.

Now, as far as the opportunities are concerned, I feel that I can add very little to what Mr. Dearborn has said, but I would like to impress upon you that the situation is entirely different from that which existed prior to the war. There is an opportunity here, if you will only let shipping alone and stop this idea of trying to regulate it or of creating a competitor with it. You can not get a banker or anybody else to-day to talk to you without first saying immediately: "What is the Government going to do? How much is the seamen's law hurting you?" It is all very well to say that a small amount of tonnage is not going to hurt the business. That may be true, but you first have to endeavor to remove these unnecessary difficulties. You are simply creating objections and difficulties that ought not to be here; and as interested in shipping, gentlemen, we strongly urge that, if you could, instead of passing a bill just to create a competitor you

might try to pass something that is going to be helpful and give assistance to shipping.

The CHAIRMAN. What do you suggest?

Mr. FRANKLIN. We are in favor of your board but not in favor of the board having any buying capacity or power. We are in favor of a board to study the situation and dealing carefully with it and developing whether or not there are any handicaps under the American flag as compared with other flags, and if there are, what can be done to eliminate them.

The CHAIRMAN. If there are handicaps, are they not known now just as well as they will be after such investigation?

Mr. FRANKLIN. That is exactly the proposition, as the handicaps are much less than they were before the war. Handicaps have changed. You can find somebody that is willing to order ships and may order them. In two years when the war is over—if it is over at that time—the difficulties may be different, and they might be able to come before the board and show them the disadvantages and difficulties, not only in connection with capital and charges, but in connection with the Seamen's law and other matters.

The CHAIRMAN. You suggest that the courts have the power of investigation?

Mr. FRANKLIN. No; we suggest that the board shall have control over all shipping matters of the United States—all laws pertaining to shipping shall be administered by it—and it shall have the investigating power to correct any discrimination or any disadvantages, if possible, that are imposed upon the merchants of this country versus the merchants of other countries, wherever they are found. That would be the intention of the move, and we are in favor of it.

The CHAIRMAN. You say they should have the power to correct any discriminations. I assume you mean prejudicial arrangements against our exporters?

Mr. FRANKLIN. That is correct.

The CHAIRMAN. How would they exercise that power as against the foreign ships?

Mr. FRANKLIN. You have given them that power in your bill here. The CHAIRMAN. You are in favor of that?

Mr. FRANKLIN. I am in favor of that.

Senator LIPPITT. What paragraph is that?

The CHAIRMAN. It is section 18, I think.

Mr. FRANKLIN. As far as the board's power is concerned, I think you have dealt very fairly with it. My objection to the power you have given the board is entirely as regards the operation of ships. I do not think a board controlling and sitting as a judge over a trade should also be a competitor in that trade and have an interest in the trade. I think it is unsound. They could not with all due regard to every interest be absolutely fair, as they would be inclined to favor what they are responsible for. You are giving a board, or are proposing to give a board, power over shipping; at the same time you propose to give them a line of steamers to operate against that shipping. Will they be an impartial board? Will the trade think they are impartial and consider them so, or will they say, "All you are after is to make a good showing with your own property," which would be perfectly natural.

The CHAIRMAN. Do you think this board in its anxiety to subserve the interests of the Government-owned ships would be unjust and discriminatory against the ships owned by private citizens of the United States?

Mr. FRANKLIN. I do not think your board would for one minute be intentionally unjust, but I think it is an unfortunate situation to have a board that should occupy toward shipping practically the same position that the Interstate Commerce Commission occupies toward railroads, and at the same time be operating steamship lines with the object wherever they feel it necessary to put such steamship lines in against the line that is being operated by private capital. I think they ought to have regulatory powers to control that situation, but not have ships themselves to operate.

The CHAIRMAN. Do you object to the regulatory powers conferred by the bill upon carriers in interstate commerce—water carriers in interstate commerce?

Mr. FRANKLIN. I feel that situation is a different one, as there you can deal with all of them.

Senator LIPPITT. Different from what?

Mr. FRANKLIN. Different from anything you might do with foreign commerce.

The CHAIRMAN. I understood you as approving the provision with reference to the powers given over carriers in foreign trade?

Mr. FRANKLIN. I do; but I want to get clearly before you the powers that have been given the interstate and the other, and I feel although the powers given the interstate are drastic, nevertheless there you control the whole situation and you can do for one just what you can do for all.

Senator LIPPITT. Will you state it a little more definitely so that your testimony may be understood when it is read. Do I understand that you approve section 18; is that what you mean?

The CHAIRMAN. That is the section which regulates water carriers in foreign trade.

Senator FLETCHER. It is at the bottom of page 16 of the bill.

Mr. FRANKLIN. In the main; yes.

The CHAIRMAN. Now, section 19 refers to the common carrier by water in interstate commerce. You were discussing that.

Senator LIPPITT. I understand you to approve of section 18. What section is it that you disapprove of?

Mr. FRANKLIN. I am not saying that I am disapproving of anything. I only say I would like to suggest, in the first place, that it is unfair—and therefore we object to that feature of it very strongly—that the board should have any operating power or control over steamers owned by the Government.

Senator FLETCHER. Does that feature, limiting that to five years, impress you?

Mr. FRANKLIN. It is better with the five years in than to not have it there at all, but it does not impress me favorably at all; we dislike it.

The CHAIRMAN. You would rather have that, however, than have it eliminated?

Mr. FRANKLIN. I would rather have the five years than have it unlimited, but we object to the whole thing in principle.

Senator LIPPITT. You would rather have four than five?

Mr. FRANKLIN. I would rather have none than five. Five will not help the present emergency at all, and does not build up and create any mercantile marine for the future under the United States flag.

Senator JONES. Section 19 gives the board the power to establish and regulate rates, fares, charges, etc., in interstate commerce. You see, as I understand you, no special objection to that?

Mr. FRANKLIN. We have very little interest in interstate commerce except that we were operating between New York and San Francisco prior to the closing of the canal, but as far as we are concerned generally we do not think that is very serious, for the reason that the United States controls that trade; it does not allow any other steamers to come in except those constructed in the United States, and whatever you do in that trade will apply to all. But the coastwise trade would be better; it would give them better opportunities to build larger ships and develop into a class of steamers or a type of steamer that would be more useful in the foreign trade in the future if you will leave them as free as possible.

Senator JONES. This provision in section 18:

That no common carrier by water—

That applies to foreign commerce as well as interstate—

shall, directly or indirectly, pay, or allow, or enter into any combination, agreement, or understanding, express or implied, to pay or allow, a deferred rebate to any shipper, etc.

Second. Use a fighting ship, either separately or in conjunction, etc.

Third. Retaliate against any shipper, etc.

What have you to say about that?

Mr. FRANKLIN. I have no objection to the rebate feature or fighting-ship feature.

Senator JONES. Are there any other features in that section that you do object to?

Mr. FRANKLIN. No, sir.

Senator JONES. Now, section 16, what have you to say about that?

Mr. FRANKLIN. With respect to section 16, I feel that the approval or any modification or any new agreement should be given within 30 days. We should not be left not knowing when we could put in force any agreement that we might make after we had submitted it to the board.

Senator JONES. But otherwise you have no special objection to the provisions of that section?

Mr. FRANKLIN. No, sir.

Senator JONES. In other words, you have practically no objection to the powers given this board?

Mr. FRANKLIN. In a general way we have no objection.

Senator JONES. I mean with respect to the regulatory feature outside of the operation of ships?

Mr. FRANKLIN. Outside of those few exceptions. We feel that if we make a modification of any agreement that is on file we ought to have the approval or disapproval within a reasonable time—say 30 days—or the board could fix any other time.

Senator FLETCHER. Have you that suggested amendment in the proper form?

Mr. FRANKLIN. I have not. I have only marked this copy of the bill in this way.

Senator LIPPITT. Will you tell the committee definitely what words you desire left out of it, just so that it will appear in the record?

Senator FLETCHER. I think he wants an amendment providing that the determination by the board shall be within 30 days.

Senator LIPPITT. Just indicate what page and what section.

Mr. FRANKLIN. On page 15, line 9, to insert the words, "the approval or disapproval to be stated within 30 days"—something that would cover that—a reasonable time, or 30 days. We think that is only fair that we should know whether we are right or wrong.

The CHAIRMAN. Then, your only objection to the bill is in the Government ownership feature—your only objection is to Government ownership?

Mr. FRANKLIN. My objections, and the most important objections that I have to the bill, are the Government ownership and Government operation of tonnage. I think they would be very detrimental to the best interests of the upbuilding of the American merchant marine in the foreign trade.

The CHAIRMAN. Suppose, Mr. Franklin, the board should offer these ships for sale, lease, or charter, do you think there would be any difficulty in finding takers?

Mr. FRANKLIN. I think if the board built a thoroughly useful type of steamer and then offered them at reasonable prices, provided the shipping situation was anything like, say, it is at present, there would be no difficulty. But there are a great many times when the Government could not charter its steamers at what would permit them to set aside interest and depreciation on the property on the money invested, and frequently and for years we ran steamers under the British flag that were much more economical than those steamers but they could not make their interest and depreciation.

Senator FLETCHER. Is there not a possibility or a prospect of having a large number of ships which may be built by private enterprise after the war, placed under foreign flags?

Mr. FRANKLIN. Not if we had a sensible board to whom we could go and show our disadvantages and have those disadvantages dealt with in a fair and liberal manner. The opportunity is better than it has been in any recent years or since the Civil War.

Senator FLETCHER. Taking a broad view of the matter from the public standpoint, and without regard to any particular interest, do you not think it is a wise thing for the Government to have something like 300,000 to 500,000 tons permanently under its flag and in a position to see that it remains under the American flag if for no other reason than that growing out of the remark of Admiral Benson—we need that much for naval auxiliaires?

Mr. FRANKLIN. I think it is a most unwise thing for the United States Government to own and operate any steamers for commercial purposes and reasons, and I go further; I think if the United States Government wants any steamers for naval auxiliaries, or for preparedness in any manner, that if this board would submit some plans and specifications to practical shipping people and then build such ships, which would be purely naval auxiliaries, yet suitable for commercial purposes, and then charter or hire them out, that might be another thing.

Senator JONES. I was just going to ask you that very thing—if there would be any objection to this bill if it did provide for \$50,-

000,000 worth even of naval auxiliaries suitable for that purpose which, when not needed, to be leased or chartered for commerce?

Mr. FRANKLIN. No sensible steamship man is going to argue against the United States doing whatever it thinks best to prepare itself. It certainly requires auxiliaries for its fleet. Now, if this board were put in charge—not a board to operate, but a board to help shipping, instead of coming around with a club and trying to punish somebody who is not here to punish for the moment, but who would be here if he had a chance, and then the Navy should say, "We want so many steamers of a certain type for the carriage of coal or provisions or refrigerators, and we want to consult with such people and get a useful type of steamer, not steamers that would carry coal in an expensive manner and be of no use for commercial purposes—all full of stanchions and beams and everything else—and chartered them under proper conditions where they could immediately take them back when required—I do not think you would have anybody raise an objection to it.

Senator JONES. And you would get all the shipping this bill provides for?

Mr. FRANKLIN. You would get all the shipping that this bill provides for. But when you say you are going to build ships for commercial purposes and going to organize a board to create companies and put those companies in competition with private interests, you are not going to get private interests to go into the business.

The CHAIRMAN. Do you not understand that under this bill the board would cause ships to be constructed of a type and character that could be quickly and cheaply converted into transports and auxiliary cruisers?

Mr. FRANKLIN. That is mentioned in the bill, but the bill all the way through carries the impression that those steamers are to be built for commercial purposes and to be operated by the Government.

The CHAIRMAN. Are not all the ships that are subsidized by foreign Governments ships that are built with a view to conversion as auxiliary cruisers and transports?

Mr. FRANKLIN. I would not say that they are all built under those conditions. Some of them are built so that they are strengthened and could readily have guns mounted upon them, and, of course, they are all ready for use in case they are needed; but they are all built by private individuals, assisted by the Government, and that is just what we advocate and suggest this board should be given authority to do.

The CHAIRMAN. Is it not the rule that when Government aid is extended it requires the ships to be constructed in a way that they can be converted and made serviceable as an auxiliary for the navy?

Mr. FRANKLIN. Generally speaking, that is right, because the steamers that have been given large mail contracts or been subsidized have been constructed with a view of being of assistance.

The CHAIRMAN. Now, do you not think that that purpose is written in this bill?

Mr. FRANKLIN. No, sir; I think anything but that purpose is written in this bill, unless I am very much mistaken. This bill is purely a Government ownership and operation bill. Other Governments have assisted their steamship companies in the manner we have

outlined. We do not think to-day that the steamship companies need assistance, but they may at some other time.

The CHAIRMAN. Then you do not object to the effect of any provisions here which relate to those vessels as auxiliaries of the Navy?

Mr. FRANKLIN. Yes; I give a certain amount of effect to that, or at least a certain amount of consideration to that, but I really feel that anybody who reads this bill is given the impression—the paramount impression—that it is a Government ownership and operation bill, and is not intended to provide an auxiliary for a fleet. That is all I can get out of it.

Senator FLETCHER. These ships that were built by the other Governments that you have mentioned were not built primarily for use as auxiliaries, were they?

Mr. FRANKLIN. I do not think they were built, or I can not say they were built with that in mind.

Senator FLETCHER. Suppose the ships were built, such as you suggest, simply as colliers and for colliers' supplies, in that way would they have any charter value for commerce?

Mr. FRANKLIN. They would have at times great charter value and at other times less. It depends entirely upon conditions—the ebb and flow of commerce and the supply and the demand. Prior to the war steamers were being chartered at 3 and 6 a ton which to-day could secure 35 shillings a ton—that is, charter.

Senator LIPPITT. Were they profitable at 3 and 6?

Mr. FRANKLIN. They paid a little something, but nothing to amount to anything; they could not have been under our flag, but under the Norwegian and Scandinavian flags, where they are operated cheaply, they would have come out pretty well.

Senator LIPPITT. You were speaking of ships under subsidy. The Cunard Line ships are subsidized, are they not?

Mr. FRANKLIN. They have a contract with the British Government, covering the *Mauretania* and *Lusitania*, which virtually gives them the steamers free of charges.

Senator LIPPITT. Was the *Mauretania* built primarily for auxiliary purposes?

Mr. FRANKLIN. She was built with that in view.

Senator LIPPITT. But that type of vessel is particularly for luxurious passenger traffic, is it not?

Mr. FRANKLIN. Yes, sir; but her speed and everything else would make her a very useful auxiliary cruiser, and she was built with that in view.

Senator LIPPITT. What beside her speed?

Mr. FRANKLIN. Only her speed; and she was probably strengthened for the carriage of guns; but as to that I could not state positively.

Senator LIPPITT. You mean the principal feature which made her a useful auxiliary was her high speed?

Mr. FRANKLIN. Her high speed.

Senator LIPPITT. And one of the reasons for giving her that high speed was that she might be available?

Mr. FRANKLIN. It was for that purpose and also for the carriage of the mails, for commercial purposes and auxiliary purposes also.

Senator LIPPITT. The high speed of the *Mauretania* made her profitable as a commercial vessel, did it not?

Mr. FRANKLIN. It made her profitable for a certain number of years. The American Line ships were constructed with strengthening for the carriage of guns. They are under contract with the United States Government to be taken at any time as auxiliary cruisers, and were very useful during the Spanish-American War.

Senator LIPPITT. Your idea of the board operating for auxiliary purposes in combination with shipping people is along the lines of the vessels of the American lines?

Mr. FRANKLIN. On the lines not necessarily of the vessels of the American Line, because ships are changing regularly and steadily, but it would be on the line of producing a steamer that would answer the Government's requirements as an auxiliary and yet a thoroughly useful steamer for commercial purposes, and be so designed.

Senator FLETCHER. Do you recall what ships and liners were requisitioned by the British Government in this war—what liners were requisitioned?

Mr. FRANKLIN. Oh, yes, sir; a tremendous number of liners; a great many of the P. & O. steamers and a good many of the Cunarders—the *Mauretania*, *Lusitania*, *Coronia*, *Carmania*. The *Aquitania* was taken for a short time, and of the White Star Line they took the *Oceanic*, the *Teutonic*, the *Celtic*, the *Cedric*, the *Cymric*—one could name a large number of steamers.

The CHAIRMAN. The owners of those vessels built them primarily for commercial purposes, did they not?

Mr. FRANKLIN. The owners of those vessels built them primarily for commercial purposes. Only a few of them were built under any sort of arrangement with the Government.

The CHAIRMAN. Was there not an arrangement with reference to the *Mauretania* and *Lusitania*?

Mr. FRANKLIN. There was an arrangement with reference to the *Mauretania* and *Lusitania*.

The CHAIRMAN. Would the ships to be built by the Government under this bill be primarily for commercial purposes, as those were primarily for commercial purposes?

Mr. FRANKLIN. Yes, sir; there has been absolutely no intimation that they would ever operate the ships. The ships were turned right over to the Cunard Line absolutely free from Government operation.

The CHAIRMAN. I understand they were free from Government operation, but they were built for commercial purposes, with the understanding that they would be converted in case the Government needed them.

Mr. FRANKLIN. And we have also done the same thing, as I have tried to outline this evening.

Senator LIPPITT. Do you know exactly what assistance the Government gave to the Cunard Line in the building of the *Mauretania*?

Mr. FRANKLIN. Roughly speaking, the Government loaned them the total sum of money to pay for the two steamers, the understanding being that the Cunard Line should pay them $2\frac{1}{4}$ per cent per annum. The Government in turn pays the Cunard Line a subvention which equals exactly the amount of money that the Cunard Co. pays per annum to the Government.

Senator LIPPITT. It equals the interest, you mean?

Mr. FRANKLIN. Yes, sir; so that the net result in the transaction is that the two ships have been given to the Cunard Line free of any expense to them.

Senator LIPPITT. I suppose the International Mercantile Marine would be very glad to have the United States Government build them some vessels on the same terms?

Mr. FRANKLIN. When Senator Gallinger and his committee, about four or five years ago, visited various ports for suggestions, we proposed that we would be very glad indeed to build three steamers that would be faster than the *Mauretania* or the *Lusitania* and improved type on duplicate contracts.

Senator JONES. That was eight years ago.

Mr. FRANKLIN. Whenever it was. We have been on record for that several times since, allowing for the difference in cost and difference in operating, of course, in the contract.

The CHAIRMAN. But you are not suggesting as an alternative for this bill the subsidy policy, or you?

Mr. FRANKLIN. I am not recommending a general subsidy policy, but I am recommending that private individuals should be allowed to go before this board and say, "We are prepared to build certain steamers; our disadvantages are such and such; will you, on behalf of the United States, make a contract with us for a period of 20 years, allowing us per annum this disadvantage?" Now, that would build you colliers or would build you whatever you like. It would build mail steamers.

Senator LIPPITT. Would you advocate Congress passing over to a board the authority to make such contracts?

Mr. FRANKLIN. I would.

The CHAIRMAN. You say this disadvantage. I did not understand you. What did you say the Government ought to do?

Mr. FRANKLIN. I say the Government, for the sake of argument—if a private individual or corporation would show it that a certain steamer could be constructed in England for a certain sum of money, and that to construct a duplicate steamer here it would cost 25, 30, or 40 per cent more; that the Government would make up that difference either in a lump sum payment or per annum payments, covering a certain length of time, so as to equalize the disadvantage. Now, if the owner can not show any disadvantage, or perhaps the constructor can not show any disadvantage, the Government naturally would not pay anything.

The CHAIRMAN. The Government ought to pay annually enough to overcome the disadvantage?

Mr. FRANKLIN. The disadvantage of cost and of operation that you can prove to such a board in the case.

The CHAIRMAN. That is subsidy.

Mr. FRANKLIN. That is subsidy in a different form.

Senator FLETCHER. There is no disadvantage of that kind now under the present law, is there? Under that permission they would buy and build them wherever they could the cheapest.

Mr. FRANKLIN. At the moment there is no disadvantage in bringing in the foreign ship, but that is not building up construction in your own country. Now, if you are going to be satisfied with your

citizens buying ships wherever they can build them for the least amount of money and bring them in here, that is a different thing. But that is not building up your shipyards.

Senator FLETCHER. But I am speaking with reference to the disadvantage.

Mr. FRANKLIN. If you could not prove any disadvantage, you could not get it. You certainly could not get it with respect to the foreign ship that you would buy in the foreign market and bring over here; but if you were proposing to build some mail steamers, which the United States needs, and you could prove to such board that it would cost you so much more to build them here than abroad and so much more to operate them, that board should be authorized to make a contract to enable you to overcome that difficulty.

Senator FLETCHER. The kind of ships our commerce really needs now are mostly cargo carriers, are they not?

Mr. FRANKLIN. The commerce of the world to-day needs cargo carriers, but the United States could very advantageously construct some mail steamers which, in case of war, could very readily and very quickly be converted into auxiliary cruisers. Those mail steamers could be kept up free of any charge to the United States and be always ready. It would not take three or four months to put them in commission, and they would be very useful for carriage of the American mails and commerce and for the training of officers and men, which is a very important matter. Buying a ship and putting the American flag on it does not begin to cover the difficulties of this business. It is the shipyard, the manufacturer, and the men, and officers, and engineers.

The CHAIRMAN. Is it your view, then, Mr. Franklin, that unless the Government will give such aid by way of subvention or subsidy as would equalize the difference in cost of construction and operation private capital would not go into the shipping business and supply the country's need for more cargo?

Mr. FRANKLIN. No, sir; I would state distinctly that private capital to-day does not need that assistance from the United States Government.

The CHAIRMAN. That is, you mean if these present conditions exist—if they should remain permanent?

Mr. FRANKLIN. If they remained permanent they would never need it.

The CHAIRMAN. You know they will not remain exactly as they are, because the war is going to end at some time or other.

Mr. FRANKLIN. Yes, sir.

The CHAIRMAN. In view of the fact that the war is going to end, do you believe that in the absence of the contract that you have just spoken of with reference to subsidies and subventions, that private capital will supply this need for ocean cargo?

Mr. FRANKLIN. I believe that if the United States Government does not go into the owning and operation of ships, if you gentlemen would help in modifying the seamen's bill and other matters of that sort, that you would find American capital going more and more each year into the American flag ships for foreign commerce—useful ships of the type of fast cargo-carrying ships, which are what you want. But when you say to supply sufficient for your commerce, your commerce

varies each year. If you have a very big cotton crop and there is a sudden demand for it abroad, you require many steamers and draw from the markets of the world for these steamers. You can not fix any measure. That is what I want to explain.

The CHAIRMAN. I understand, then, you do not think we will ever provide enough ships to accommodate all our foreign commerce?

Mr. FRANKLIN. You will never do it, and will not want to do it.

The CHAIRMAN. We probably do not need more than enough to accommodate 50 or 60 per cent of our trade.

Mr. FRANKLIN. Yes, sir.

The CHAIRMAN. That would be enough for the purpose of protection. Now, do you think that without Government aid of any kind we are likely to get as much as 60 per cent of the shipping needed to accommodate our trade within a reasonable period of time?

Mr. FRANKLIN. No, sir; I do not think you would ever get 60 per cent.

The CHAIRMAN. Well, 50 per cent?

Mr. FRANKLIN. Oh, not nearly that. That is too big a percentage. You would have to eliminate a great many fleets of the other nations, because they are depending on our trade. I would not make a guess on that.

The CHAIRMAN. How much, for the purpose of protection, do you think we ought to have? What percentage?

Mr. FRANKLIN. I will say this: If the United States will study its laws and offer inducements to private individuals to go into shipping—not a subsidy on the present conditions, but those that we can see in the future—capital will rapidly go into steamers under the American flag for foreign trade. Now, it may be a fairly slow process upon the point of view of a percentage of our commerce, which is a very big proposition; but they will go in. If the United States Government goes in from an owning and operating point of view, capital will not go in as freely as it otherwise would.

The CHAIRMAN. Suppose our present navigation laws are continued just as they are now, what do you think would be the prospect of securing this needed supply of ships through private capital?

Mr. FRANKLIN. And pass no Government ownership and operation bill?

The CHAIRMAN. Yes.

Mr. FRANKLIN. I think you will see a gradual investment of American money in steamers under the American flag for foreign trade.

The CHAIRMAN. Now, if they will do that in the future without any change in our present navigation laws, why have they not done that in the past?

Mr. FRANKLIN. The past has been entirely different. The returns from foreign trade have not been such as to attract American capital. The present situation is such that the outlook is much better, and there is a much greater interest generally throughout the country in ships and shipping, which has been brought about by the recent developments.

Senator JONES. It looks now as if there was a chance to make money in the business.

Mr. FRANKLIN. It looks as if it would be profitable.

The CHAIRMAN. After the war?

Mr. FRANKLIN. Of course, we do not know how long the war is going to last.

The CHAIRMAN. You do not think it is necessary for the Government either to pay subsidies or subventions or change its navigation laws in order to secure, through private capital, adequate shipping facilities?

Mr. FRANKLIN. I do not; but I would like to qualify that when you say change your navigation laws. There are some rules and regulations regarding navigation laws that from time to time develop very serious hardships upon American-flag ships which could be modified. I think it is more largely the question of rules and regulations than the law.

Senator JONES. To be cared for by this board?

Mr. FRANKLIN. If the board had charge of everything pertaining to the shipping and assume responsibilities for the upbuilding of shipping, you could go before that board and show them that what you are asking for is only reasonable and right.

The CHAIRMAN. You think the board would be helpful with these regulatory matters?

Mr. FRANKLIN. I am sure it would be helpful.

Senator LIPPITT. You mean if it had those powers?

Mr. FRANKLIN. If it had those powers. Eliminating Government ownership and operation, I have never been opposed to the board.

Senator LIPPITT. Do you think, with the present seamen's bill in operation, American capital would go into the shipping business?

Mr. FRANKLIN. I think American capital will go into it. I think later on if you have the present seamen's law—any seamen's bill—it will be more difficult to get them in. I think the seamen's bill could be modified without being injurious to anybody in a manner that would make it much less harmful for steamers and be more beneficial to the sailors.

Senator FLETCHER. Would that not involve the lowering of wages of the officers and men?

Mr. FRANKLIN. We do not care about the wages provided we can get efficiency, as long as they are within reason.

Senator JONES. It would not involve the repeal of the seamen's law?

Mr. FRANKLIN. It would not involve the repeal of the law, it would only mean some modification of it. The difficulty under the present situation, of course, is that wages have advanced very rapidly indeed in the last three or four months. I do not for one moment say that the United States flag could compete with foreign flags and pay the present rate of wages all through. I believe after the war we might be able to get an adjustment of wages which would be satisfactory and yet give everybody a good living wage.

The CHAIRMAN. Under our navigation laws?

Mr. FRANKLIN. The navigation laws do not touch the wages of sailors.

The CHAIRMAN. I say a modification of the seamen's law.

Mr. FRANKLIN. That is doubtful. I think the modification of the seamen's law we ought to have; it is most important. We have advanced the wages of sailors to-day from \$27.50 to \$45, plus \$10 a month—that is, \$55, from \$27.50 to \$55.

Senator LIPPITT. What does "plus" mean.

Mr. FRANKLIN. Plus the war bonus.

The CHAIRMAN. Under the conditions that have existed for the last 25 or 30 years you have not been able to compete—American vessels have not been able to compete successfully with foreign vessels?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. You think after the war they will be. You then take a very optimistic view of the conditions of the world's trade after the war, and our participation in that trade?

Mr. FRANKLIN. Well, I take an optimistic view of the possibilities and probabilities of the American flag in the foreign trade after the war is over if the United States would help the flag, be helpful to the flag, instead of constantly passing laws that are detrimental to the flag—for the foreign trade, mind you.

The CHAIRMAN. In this question, we are leaving out the Government-ownership question altogether.

Mr. FRANKLIN. But with this bill and other difficulties saddled on you, you can not do it.

The CHAIRMAN. I said if there was no Government operation. You say that it would be a menace. Leaving out that menace, you take a very optimistic view of the conditions that are going to exist in the world's trade after the war, because you say we will be able, after the war to do a thing in connection with our foreign shipping that we could not do under the conditions that existed before the war.

Mr. FRANKLIN. I say with the assistance of the United States Government or the cooperation. I do not say assistance, I say co-operation.

The CHAIRMAN. What assistance do you refer to?

Mr. FRANKLIN. I mean to say, do not pass this bill. In the first place, do not go into the owning and operating of steamers. Modify our seamen's bill, and then from time to time, as we develop matters in connection with the navigation laws or anything else, let us come down here and show our disadvantages, and let us have the cooperation of the United States.

The CHAIRMAN. You do not include in that the right of the ship-owner to secure his crew wherever he can get them the cheapest. You do not include in that putting the wages and shipping conditions of the American sailor and the crew on a parity with those of vessels under other flags?

Mr. FRANKLIN. You will not be able to trade your steamers—operate your steamers in certain trades, because under the American flag you have to pay about twice as much money as your competitor.

Senator LIPPITT. For labor?

Mr. FRANKLIN. For labor. It is not reasonable. No manufacturer could do it unless you get more efficiency.

Senator FLETCHER. What proportion of the operating expense is labor?

Mr. FRANKLIN. Well, we have two parallel ships running to-day in one trade and the wages are about double for American operation.

Senator FLETCHER. I say what proportion do wages bear on the operating expense of a ship?

Mr. FRANKLIN. Every ship varies, and every voyage varies.

Senator LIPPITT. Approximately.

Mr. FRANKLIN. I would not say that every one varies. If you are sending a steamer from here to Australia your wages are so much and your terminal charges are so much. If you are sending that same ship from here to Panama or some place like that, Habana, for instance, the terminal charges come every four or five days that affect the percentage of your operation. I would not go into percentages because every voyage is different.

Senator LIPPITT. Could you pick out any specific case. You have just said that you have two ships that are running now where the wages on one is just double those of the other. In those particular ships, what proportion of the total operating cost is wages?

Mr. FRANKLIN. To-day?

Senator LIPPITT. Yes.

Mr. FRANKLIN. Just the wages of the ship and not shore wages?

Senator LIPPITT. The wages of the ship, roughly.

Mr. FRANKLIN. Oh, I would say about as it stands to-day, 7 or 8 per cent, or 10 per cent—somewhere along there.

Senator LIPPITT. That is for each ship, the one that pays the low wages is the high one.

Mr. FRANKLIN. The low one.

Senator LIPPITT. That is, the ship paying 10 per cent would be the low one?

Mr. FRANKLIN. No, sir.

Senator LIPPITT. And the ship paying the high wages would be 10 per cent?

Mr. FRANKLIN. Yes, sir. That is an exceedingly misleading situation because that is not the proper way to put it. It is simply such an instance as where you have a manufacturing plant and you have got to sell in exactly the same market as your competitor who can employ his labor at so much less than you, you are at a very serious disadvantage, and when you undertake to get capital to come in they would say, "How can you afford to pay your labor?"

Senator LIPPITT. Do you mean to say that the wages are only 10 per cent of the total cost of operating a vessel?

Mr. FRANKLIN. Well, steamers vary.

Senator LIPPITT. I mean for these particular ships.

Mr. FRANKLIN. Yes, sir.

Senator LIPPITT. What are the other large expenses?

Mr. FRANKLIN. Oh, your coal and stevedoring and everything—food and wharfing.

The CHAIRMAN. It seems to me that your proposition resolves itself into this: That you will not be able to hold your own with your foreign competitors unless the Government will help you to the extent of equalizing the alleged difference in wages and cost of operation.

Mr. FRANKLIN. I do not say that—I say that—

The CHAIRMAN. It seems to me that is what your proposition means.

Mr. FRANKLIN. No, sir; I did not say that at all, because I do not think it depends on wages. It depends upon a number of things. You are in a better position to-day and have a better opportunity to build up the American merchant marine in the foreign trade for several reasons, including the fact that it is costing more to construct

steamers abroad than formerly as compared with the construction here. It is costing them more to operate and will cost them more, as their wages are all going up. They are up now and will hardly go down, and their taxes are going to be very heavy as compared with the taxes over here. There are a great many items. It does not depend upon wages at all. That is only one item. We might be able to continue to pay those wages and yet build up under the American flag.

The CHAIRMAN. You think after the war the cost of operation will be more nearly equal than it is now, if not altogether equal?

Mr. FRANKLIN. I think not only will the cost of operation be more nearly equal, but the cost of construction.

The CHAIRMAN. So you think after the war the difference that you have had in construction and operation, such as you have had to contend with and which has been such a serious handicap, will be removed practically?

Mr. FRANKLIN. I will not say that it will be practically or entirely removed, but I will say that the disadvantages will be less than we have had before, and I say also that the capital of this country is more inclined to-day to go into shipping than it was before, and I think we have a better chance to make a fair return than we had before.

Senator FLETCHER. Do you know what Great Britain is getting out of that supertax; what profits in her shipping?

Mr. FRANKLIN. I could not state as to that. I saw some figures on the subject the other day, and if I can find them I will be glad to send them to the committee. It is a tremendous sum of money. Sixty per cent of the surplus profits.

Senator LIPPITT. That is a war tax?

Mr. FRANKLIN. It is a war tax—it is a huge sum of money.

Senator FLETCHER. I wish you would get those figures if you can and put them into your statement.

Mr. FRANKLIN. I will try to get them and send them in.

Senator LIPPITT. There has been a good deal said here about large fighting ships, and they are mentioned in the bill. Can you give us any idea of the extent to which ships that could be properly so designated have been active in the trade?

Mr. FRANKLIN. I can only give you two or three cases because it was all entirely in cases of the passenger trade—those that I can recall to mind. That was about five or six years ago, for, I suppose, a question of a period of four or six months.

Senator LIPPITT. Is that the only case you know of?

Mr. FRANKLIN. That is the only case I can remember at the moment.

Senator LIPPITT. Do you know anything about the fighting ships in the freight trade?

Mr. FRANKLIN. I can not recall a fighting ship in the freight trade from the point of view of any ship being used as a fighting ship. We frequently have had competition in the way of fighting each other, but that does not apply.

Senator LIPPITT. It has been described in the testimony that there were ships used by the large shipping companies that followed ships into certain ports—competing ships into certain ports wherever they

might go—for the purpose of making lower prices in freight so as to drive those vessels out of the trade.

Mr. FRANKLIN. I could not give you any example of that. I do not remember any such case.

Senator LIPPITT. Do you think such cases have been frequent in the business?

Mr. FRANKLIN. I would not say that they have been frequent. It has probably been done, but they are rare exceptions.

Senator LIPPITT. They have not been of such consequence as to have a great effect upon freight rates?

Mr. FRANKLIN. Not in connection with anything I have had experience with.

Senator LIPPITT. You read the testimony of the Secretary of Commerce, did you?

Mr. FRANKLIN. I did.

Senator LIPPITT. He referred to the Diesel engine—you are probably familiar with it?

Mr. FRANKLIN. Yes, sir.

Senator LIPPITT. What do you think of the proposition of building standard ships? Is there any great opportunity in the development of shipbuilding along those lines?

Mr. FRANKLIN. I think if a demand for American flag cargo ships for foreign trade developed and they can arrive at some standard ship, it would result in economy, as it has in construction in England. How great that economy will be will depend on the number of people who would be in the market for them. It has been started already.

Senator LIPPITT. There would rather have to be a large bulk of shipping continually building in this country to make such a thing practicable, I suppose?

Mr. FRANKLIN. Quite right. You see every trade requires a different type of steamer.

Senator LIPPITT. Do you think there is anything in the suggestion that that is going to revolutionize the practice of ship construction?

Mr. FRANKLIN. I do not think it will revolutionize the practice of ship construction. The ships will be useful for a rather limited trade than otherwise.

Senator LIPPITT. You do not think the large bulk or the volume of shipping would be affected by such proposition?

Mr. FRANKLIN. No, sir; and the regular lines will not buy them. They are more of the tramp type of ship.

Senator LIPPITT. For tramp steamers, I presume; that is particularly what I had in mind or what the man who suggested it had in mind. In the case of tramp steamers, is it likely that such method of building is going to be largely in vogue?

Mr. FRANKLIN. For such method of building I think it will increase in this country if shipping increases, and if it does it should tend to cheapen the cost of construction.

Senator LIPPITT. It has been done, you say, in England?

Mr. FRANKLIN. It has been done in England; and it is now being tried by somebody here; I have forgotten who it is—the Standard Shipbuilding Co., I think, and they have put up one of their ships at auction, and I believe they have another ship to be sold. For

that type of ship it will cheapen the construction, but for the regular lines it would not be desirable.

Senator LIPPITT. It is not new in the history of shipping, is it?

Mr. FRANKLIN. No, sir; it has been going on in England for years.

Senator LIPPITT. You have more or less given attention to the subject of the Diesel engine; you, I presume, are familiar with the subject of the Diesel engine in shipping. Is the Diesel engine going to drive out the standard type of engine?

Mr. FRANKLIN. It is very difficult to say. The Diesel engine so far in the Atlantic trade has not been a great success, but it is an exceedingly useful engine in some long trades where oil can be purchased at much lower prices. I know very little about the engine, although we have had some experience with it, but I doubt very much whether for the high type of ship, the faster ship—the ship that is largely in use in the North Atlantic trade—it has been sufficiently improved and developed to be of much value as yet, but it is probably a coming engine.

Senator LIPPITT. As a matter of fact, there has been a great deal of trouble in the practical operation of the Diesel engine, has there not?

Mr. FRANKLIN. It is more in the auxiliaries than in the actual engine.

Senator LIPPITT. But in the system of the Diesel engine, has there not been a great deal of trouble in the practical operation of it?

Mr. FRANKLIN. There has been some trouble, but I think it has been largely in the auxiliaries more than in the main engine.

Senator LIPPITT. What do you mean by auxiliaries?

Mr. FRANKLIN. Pumps and air compressors.

Senator LIPPITT. Well, that is all a part of the Diesel engine. You can not have it without the auxiliaries. So if there is any trouble it is in the system.

Mr. FRANKLIN. It is the system; yes, sir.

Senator LIPPITT. In other words, is not the modern invention, as it has been developed, much more reliable than the Diesel engine, or is it?

Mr. FRANKLIN. As far as the North Atlantic trade is concerned, which is the only trade with which we have had any experience with them, the old type of engine has been more satisfactory than the Diesel.

Senator LIPPITT. Is the Diesel engine capable of very high power?

Mr. FRANKLIN. It is not, so far as I know, capable of very high power. It is not thought that it would be a desirable engine for fast steamers.

Senator LIPPITT. Are there many freight steamers with the Diesel engine?

Mr. FRANKLIN. A good many, and some steamers are being constructed and have been constructed with them particularly for the Far Eastern trade, where the question of oil-burning engines with the low consumption as compared with burning fuel oil under the boilers, they have been quite satisfactory.

Senator LIPPITT. But their trade is in and out of New York?

Mr. FRANKLIN. The trade is in and out of New York, and particularly to the Continent, and I doubt very much whether they are

ging to result in any great economies, but that is a practical matter which—

Senator LIPPITT. I just wanted to get your views as a practical steamship man of the present point at which those things have arrived.

Mr. FRANKLIN. They are at an experimental stage yet.

Senator LIPPITT. I am somewhat familiar with them in the land service and have never been very well satisfied with them.

Mr. FRANKLIN. That has been our experience.

Senator FLETCHER. You expressed some views as to the general purpose of the bill as you understood it. Suppose you read section 5 and see if you can offer any suggestions in the way of modification or changes in that section.

Mr. FRANKLIN (reading) :

To have constructed and equipped in American ship yards and navy yards or elsewhere, giving preference, other things being equal, to domestic yards, or to purchase, lease, or charter, vessels suitable, as far as the commercial requirements of the marine trade of the United States may permit, for use as naval auxiliaries or Army transports, or for other naval or military purposes.

Senator FLETCHER. Is that objectionable?

Mr. FRANKLIN. It is objectionable, because it conveys to me the impression that the paramount purpose of this contract is for commercial purposes.

Senator FLETCHER. Would you suggest any modification of that?

Senator JONES. I was going to ask him that same thing and suggest what would you think of this:

The board, etc., to purchase, lease, or charter vessels for use as naval auxiliaries or Army transports, or for other naval or military purposes, as suitable as may be for commercial requirements in the marine trade of the United States.

Put that language in and then leave out the operation of these vessels by the board.

Mr. FRANKLIN. That would be a decided improvement, provided you followed that through that such steamers would be leased or chartered to private firms or individuals at an optional price.

Senator LIPPITT. At the best rate possible.

Senator JONES. Of course I had that in contemplation.

Mr. FRANKLIN. If that was done it would take away from this bill the principal objection, according to my understanding of the steamship interests.

Senator JONES. Would that not take away really all the objections, even the Government ownership objection?

Mr. FRANKLIN. Yes; it takes away everything.

Senator JONES. And under that could we not have vessels constructed very properly that would fully meet the naval requirements and also furnish first-class merchant ships?

Mr. FRANKLIN. I think you could, but I think you would have to take into your consultation the shipping people, who might probably lease these steamships or charter them, in order to bring about that end.

Senator LIPPITT. Could that be done at a price that would reimburse the Government for the expenditures it had been to?

Mr. FRANKLIN. It is very doubtful. Of course I think it could. I think that the Government could lease those steamers, as a general

proposition, at a rate which would give them certainly their depreciation and interest.

Senator FLETCHER. Would that not be in effect the Government building ships for people to operate in the shipping business?

Mr. FRANKLIN. For other people who operate in the shipping business?

Senator FLETCHER. Yes.

Mr. FRANKLIN. Yes; it would be building auxiliaries to the Navy, and instead of allowing them to lie idle they would charter them to people to use for commercial purposes and keep them in good repair and condition.

Senator FLETCHER. Would there not be danger of a combination when the time came and these ships were ready to go into service, and notice was given, for instance, that there would be an auction on a certain day of certain ships, that would determine in their own way what they would do about chartering them and at what price?

Mr. FRANKLIN. I do not think you could get a combination between the Pacific coast, Atlantic coast, and the Gulf that would keep everybody from making a bid. It is not narrowed down to a few people at all. It is a tremendous field.

Senator JONES. You would not confine the board to a particular way of leasing them?

Mr. FRANKLIN. No; I would leave that to the board; I would leave everything open and fair to the public.

Mr. DEARBORN. At a set price?

Mr. FRANKLIN. If they wanted to; but that would be up to the board.

Senator LIPPITT. If you had a minimum price you might not lease your boat.

Mr. FRANKLIN. I mean to say you would get the commercial price. It would be up to the board to get the commercial price. Now, the commercial price of a ship is as well known as a pound of tea or sugar. You can get it in New York in two minutes.

Senator JONES. You would not leave anything of that kind in the bill, but leave it to the board to handle as a business proposition?

Mr. FRANKLIN. As a business proposition. A constructive and upbuilding board would be beneficial to the interests of this country.

The CHAIRMAN. So you think these ships built after consultation with shipping experts according to such specifications as they might suggest as suitable to the trade, that they could be without difficulty leased at a reasonably fair price?

Mr. FRANKLIN. Mind you, of course the price would ebb and flow. There would be times when you would not get a fair rental, and other times when you would. But taking it generally I would say yes.

The CHAIRMAN. That would be true of a privately-owned ship?

Mr. FRANKLIN. The same thing applies exactly.

Senator LIPPITT. Take the last 10 years before the war, would the Government have gotten interest and depreciation out of it?

Mr. FRANKLIN. For the last three years before the war, with a proper type of steamer, I think the Government could have gotten interest and depreciation, but for the three years prior to that I do not think they could. It ebbs and flows.

Senator LIPPITT. If the Government got depreciation and interest for three years and did not get it for three years, then their average would not be good?

Mr. FRANKLIN. It would not be good, but they would be ahead of the game anyhow, because they would have the ships kept up for them free of charge.

Senator LIPPITT. That is another question.

The CHAIRMAN. If the conditions after the war are as favorable as you indicated a little while ago they would be likely to get enough to cover those contingencies, would they not?

Mr. FRANKLIN. I think they would, but, as I say, I am optimistic on shipping at the moment.

Senator FLETCHER. Suppose the time came when they could not charter these ships and the Government had a number of them on hand, would it not be worth while for the Government to have the authority and the power to run at least some of those ships along new routes, even if without any profit?

Mr. FRANKLIN. If they do run at all the private individual can run them and make more money out of them than the Government can make, and if the private individual was ready to take them and operate them, simply keeping them in order, the Government would be better off than trying to open up some trade that might cost the Government a great deal of money, because there are very few undeveloped trades. It would be because the trade had gotten in such a condition that nobody could make money in it at that time.

Senator LIPPITT. Do you think there is liable to come a time when the Government could not charter vessels if it should need them for sudden emergency in the case of war without having these vessels of its own?

Mr. FRANKLIN. That they could not charter, you mean American vessels?

Senator LIPPITT. The point of having these vessels is so we might have them in time of war, is it not?

Mr. FRANKLIN. Yes, sir.

Senator LIPPITT. I say, do you not think there is liable ever to come a time when the Government, without having these vessels, could not obtain by charter in the ordinary market vessels for war purposes?

Mr. FRANKLIN. There might be a time. That all depends on the requirements, the number, and the type of ship they require, and they might have difficulty in getting them.

Senator LIPPITT. No; any time in the last 50 years.

Mr. FRANKLIN. In the Spanish-American War they could not get them.

Senator LIPPITT. Did they not get all they wanted?

Mr. FRANKLIN. They had to buy.

Senator LIPPITT. They had to buy or lease?

Mr. FRANKLIN. Buy or lease.

Senator JONES. They made some very poor buys, did they not?

Mr. FRANKLIN. They also made some very good buys.

Senator JONES. Did they not have to pay big prices?

Mr. FRANKLIN. No; as a general proposition I think they bought very well.

Senator JONES. The general impression, I think, is the other way.

Mr. FRANKLIN. That is generally the case, you know.

Senator LIPPITT. You think they made good purchases?

Mr. FRANKLIN. I have not in mind at the moment just what they paid, but I know some ships they bought, and they bought them at exceedingly fair prices, and they have been very useful ships ever since and are running to-day, and the Government could probably sell them for what it paid for them.

The CHAIRMAN. That is true where they bought them and held them until now, but the general impression is that after the Spanish-American War they sold a good many of them at nominal prices.

Mr. FRANKLIN. When you are buying ships in a hurry like that you have to pay prices a merchant might not have to pay or would not pay.

Senator LIPPITT. Who could wait?

Mr. FRANKLIN. Who could wait and watch his opportunity and would not buy unless he got the right price. But I think if you look over the ships bought and the prices they paid you will find they got fair value for their money under all the circumstances.

Senator JONES. Is it not true they paid pretty fair value for the ships as it was, and then had to pay pretty large sums to convert them for the purposes needed?

Mr. FRANKLIN. That was done largely after the war was over. I am not talking about that.

Senator JONES. I did not have that in mind. Several ships that were bought—in order to make them suitable for the service in which they wanted to use them they had to spend considerable money changing the interior of the ships.

Mr. FRANKLIN. I believe they spent a good deal of money after the war was over on some of those ships.

Senator LIPPITT. Of course, this whole proposition of having auxiliary ships is a question of dollars and cents. If in time of emergency they can go out and buy or charter them and be free of any responsibility during the rest of the time—the only time in 50 years they have had to buy any ships that way was for a short time during the Spanish-American War?

Mr. FRANKLIN. Yes.

Senator LIPPITT. Take it as a whole, do you think in the last 50 years the Government would have lost money or made money by not having a sufficient supply of auxiliary ships?

Mr. FRANKLIN. I think we have saved money.

Senator LIPPITT. Then, if we have saved money, the purposes of having these auxiliary ships simply for the purpose of saving money would not lie?

Mr. FRANKLIN. For the purpose of what?

Senator LIPPITT. Of saving money.

Mr. FRANKLIN. Yes; I agree with you on that. It is a question of preparedness.

The CHAIRMAN. If the Government had no Navy at all and had had no war for 50 years it would be a fine thing for the Government not to invest any money in the Navy.

Senator LIPPITT. They could not buy warships. They can buy commercial ships. I do not think these two cases are parallel, if you will allow me to say so.

The CHAIRMAN. They are, as far as auxiliary ships are concerned. You believe in preparedness, do you not?

Mr. FRANKLIN. I do.

The CHAIRMAN. Do you not think auxiliaries and transports are a very important factor in a program of preparedness?

Mr. FRANKLIN. I do.

The CHAIRMAN. And do you not think the Government ought to pursue a policy in which it would be reasonably assured of an adequate supply of auxiliary ships whenever it needs them on short notice?

Mr. FRANKLIN. I think the Government ought to see that it is provided with the proper auxiliaries for its fleet to a certain percentage.

The CHAIRMAN. I have read somewhere, I do not know where, probably in this testimony—I have been reading so much about this thing lately that when I read a thing the day after I do not know where I saw it, but I read somewhere that we now have only about 53 ships that belong to the Navy that are suitable for auxiliaries, and that more than one-half of those were of an average age of 25 years and were just about suitable for junk, and I think I also read that we had 14 Army transports and 13 of those were of an average age of 29 years and wholly inefficient for the purposes for which they are held. That seems to me to present a situation of very grave unpreparedness so far as this arm of the military and the naval service is concerned.

Mr. FRANKLIN. Yes; and I think the United States Navy ought to have a certain amount or a certain quantity of auxiliaries, and then should rely upon its mercantile fleet for the balance. It should not be expected to equip itself for the maximum efficiency of the Navy but should have a percentage of modern auxiliaries.

The CHAIRMAN. If it relies upon using merchant ships and converting them into cruisers and transports it would get a type of vessels that are unsuitable and convertible only at great cost, would it not?

Mr. FRANKLIN. Yes; but if you pursue the policy that we have advocated of encouraging the private individual to construct steamers, and at the same time this board would see that some of those steamers that were constructed were of a type that would be useful to the Navy as auxiliaries, that would accomplish the object without spending the money.

The CHAIRMAN. But they would probably not construct them that way unless the Government paid a consideration for it, would they?

Mr. FRANKLIN. But that consideration would probably be a very slight compensation, or a very small amount of money as compared to the construction and maintenance and operation and upkeep of an auxiliary itself.

Senator LIPPITT. Mr. Franklin, as a believer in preparedness, and I presume a pretty strong believer in preparedness, would you rather see at this time the \$50,000,000 added to the naval bill for the construction of war vessels of some kind or spent for the purposes that this bill indicates?

Mr. FRANKLIN. I would rather see anything done than to see it expended for the purposes I think this bill indicates.

Senator LIPPITT. As an American citizen do you think that money would be more wisely spent for battleships and battle cruisers, etc. or for transports?

Mr. FRANKLIN. I think the money should be spent on the Navy; it would be wiser to spend the money on the Navy for preparedness, and then you bring in the same thought that we have been discussing, that you require a certain percentage of auxiliaries, but certainly it is better to spend that money for preparedness than for commercial steamers or steamers to be used for commercial purposes.

The CHAIRMAN. But if the Government can not secure suitable auxiliaries, except by building them itself, then you think there is as much necessity for the Government's providing for auxiliaries for its war vessels as there is for providing war vessels, do you not?

Mr. FRANKLIN. Yes, sir; I think it is just as important for the war vessels to have proper auxiliaries as it is to have coal, etc.

Senator JONES. As I understand you, if we are going to expend \$40,000,000 or \$50,000,000 you would not have any serious objection to this bill and the powers given to the board, etc., if the bill were changed as suggested a while ago to really show its purpose to provide auxiliaries for the Navy, but to be so constructed as to be suitable for commercial purposes?

Mr. FRANKLIN. That is quite right.

Senator JONES. And leaving out the operation?

Mr. FRANKLIN. Yes, sir; and let them be leased to the highest bidder, but in no circumstances to be operated in any trade by the Government.

Senator JONES. To be leased by the board in its discretion, but not operated by it?

Mr. FRANKLIN. Yes; that is right.

Senator LIPPITT. Do you believe we ought to have \$50,000,000 spent for that purpose?

Mr. FRANKLIN. I do not believe you would get much in the way of auxiliaries, colliers, supply carriers, etc., for less than that. But that is a matter for the Navy and other people to figure out. I am very much obliged to you, gentlemen.

The CHAIRMAN. Before the outbreak of the war, do you know anything about discriminations against American exporters in the matter of rates and schedules and time of making a trip?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. In favor of foreign exporters?

Mr. FRANKLIN. I am a firm believer in the fact that there has never been any discrimination on the part of the steamship companies that amounted to anything against the American exporter in favor of the exporter of any other country.

The CHAIRMAN. In any trade?

Mr. FRANKLIN. In any trade, because it is all a question of supply and demand and the amount of money that these steamship owners can make out of one trade versus another. Now, there may be many cases that would go before the board, or that a shipper could put before you, that you could say, not having heard both sides, or the whole matter explained, "That is a direct discrimination against the merchants of this country," but if you are desirous of shipping an article from this country to South America on a steamer that does not want weight, or a bulky article, and the ship does not want

light freight, whereas a ship coming from Hamburg or England does want that freight, one ship might make a lower rate than the other. It is all a question of commodities required by the country and the condition of weights and measurement of the traffic which the steamers have offered them. It is a problem this board could solve to its entire satisfaction.

The CHAIRMAN. With powers given it?

Mr. FRANKLIN. With the powers given it, and you can have the whole situation explained to them. They could study the situation themselves. You must remember in all these trades that there are certain countries that have exactly the same trades as we have. For instance, you take Argentina; it is a large producer of exactly what we produce and export—wheat, corn, beef, and cattle. Their requirements from here may be of a character entirely different from those required from Europe, and the conditions prevailing in the trade are different.

The CHAIRMAN. Are the conditions of transportation between Argentina and Great Britain, for instance, more favorable than the conditions of transportation between this country and Argentina?

Mr. FRANKLIN. I should say that the services that have been operating between the Argentine and Great Britain and the Continent were probably better than were being operated from New York to the Argentine, but it was because the trade and commerce going between those two points would support a better type of steamer and a more frequent sailing. The service from here to Argentina was certainly improving and the trade was also improving, and just before the war beef was beginning to come up from there. Corn moved up from there a year or two before the war for the first time in the history of the country. If commerce began to move more regularly in both directions you would see many more sailings and an improved type of steamer and service.

The CHAIRMAN. Was there any difference in rates?

Mr. FRANKLIN. I saw a very interesting lot of figures that were gotten up by somebody for the Canadian Government the other day, and he showed the ebb and flow of the rates from the Argentine to the United Kingdom to be practically on the same percentage as the ebb and flow here and other trade of the world. It was a very interesting collection of figures.

Senator FLETCHER. It is a fact, is it not, that the seasons there are different from our seasons; that is, it is fall in Argentina when it is spring here, is it not?

Mr. FRANKLIN. Yes, sir.

Senator FLETCHER. The same products are not moving all the time?

Mr. FRANKLIN. Not always, but then you see we have different products moving at different times here; we have wheat moving sometimes and cotton at another time and corn at another time. Ours vary a bit, too. But the owner is not going to send a steamer to the Argentine if he can make more money sending her here, and the tramp steamer is the great regulator of the freights, and any discrimination from the rate point of view will not last any great length of time.

Senator FLETCHER. The tramp never has been subsidized?

Mr. FRANKLIN. The tramp never has been subsidized, and it is a product of the cheapest construction and the cheapest operation. Whenever that changes from one country to another the tramps will begin to increase in that country.

Senator FLETCHER. Do you not think that section 12 of the bill has considerable value by way of tending to provide a naval reserve?

Mr. FRANKLIN. Yes, sir; I think that adds to it: "That any vessel purchased, leased, or chartered from the board may be listed by the Secretary of the Navy as a vessel of the United States naval auxiliary reserve." It tends to the proper direction.

The CHAIRMAN. In view of these sections 5 and 12, do you not think there is an evident intentment to provide vessels for naval reserves and to construct them with view to that use?

Mr. FRANKLIN. As I read the bill and the bill as a whole, the paramount intention seems to be that the Government should buy or build steamers for commercial operation and purposes, and the auxiliary feature of it is rather secondary.

The CHAIRMAN. Is not the auxiliary feature secondary in these subvention and subsidy schemes?

Mr. FRANKLIN. Because they are all built by private individuals with the assistance of the Government and never to be operated by the Government.

The CHAIRMAN. But that does not change the primary and secondary purposes. You said this was a secondary purpose?

Mr. FRANKLIN. I think it is, Senator. Certainly, from my point of view it does, because, as I read this bill, the intention is to construct and operate these steamers in commercial trades.

The CHAIRMAN. The Government, you say, has that intent in this case and the private individual has that intent in the other case, but in both cases the secondary intent is the same?

Mr. FRANKLIN. But when you have the private individual holding the money bag you can always compete with him, but when you have the Government you can not. You are on all fours with the private individual.

The CHAIRMAN. That depends, does it not, on whether the Government ships are operated with a view to destroy private operation or with a view to aid and encourage private operation?

Mr. FRANKLIN. No; I would not use the word "destroy." The Government might be entirely satisfied with a return that would not attract any new capital to your venture. You can not get new capital unless you can show them a chance of making an increased return. The Government might be satisfied with the same return for an indefinite period, and so on.

The CHAIRMAN. I think the Government would be, if it were to go into this business to the extent this bill provides, just as much interested in the privately owned vessel, in the success of privately owned enterprises and privately owned vessels, as it would be in the success of the Government-owned vessels, and I think that any board, constituted of competent and patriotic men, would administer the law so as to harmonize the two interests and so as not to use the Government-owned vessels for the purpose of injuring the privately owned vessels.

Mr. FRANKLIN. Of course, that is your opinion, and the only thing—

The CHAIRMAN. I stated my opinion to get yours.

Mr. FRANKLIN. In my opinion, the United States, if it wants to upbuild the American merchant marine in the foreign trade, could not do a worse thing than invest its own money in a ship for commercial purposes to be operated against privately owned ships. It will frighten off capital more than anything else you can do. That is my only contention.

The CHAIRMAN. But, without any reference to the wisdom or unwisdom of policy, I can not get my mind to believe if the Government goes into this business it will not always operate with due regard and consideration for the private operator.

Mr. FRANKLIN. That might be the case.

The CHAIRMAN. That it would be just as solicitous to protect his interests against harm as it would be solicitous to make the operation of vessels a success.

Mr. FRANKLIN. I may be wrong, but my view is that it would be detrimental and the fleet would be detrimental to privately owned steamers, and it would discourage private capital from going into the shipping.

Senator JONES. Do you not think, Mr. Franklin, under those circumstances there would be constant criticism or charges that the board was favoring this locality or that locality, or this shipper or that shipper; that it was giving away to this political influence and that political pressure, whether it was just or not?

Mr. FRANKLIN. I can not see, for the sake of argument, if you have the same pressure for cotton to move from the country as you had last fall, and will have this fall if war continues, and the Government had one ship to go to Mobile and one to go to Savannah, to whom would it give the steamer? Every merchant wants to move some cotton. There would be a grand squabble as to who should have that steamer—there would be charges of favoritism and all that thing.

Senator LIPPITT. Might be some trade besides cotton?

Mr. FRANKLIN. Yes; you might have certain trades that would say, "We are entitled to it," and other trades saying, "We are entitled to it."

Senator JONES. It seems to me that would be a very grave objection to it, from what public experience I have had down here.

The CHAIRMAN. You might make what would be tantamount to the same objection to a board to regulate the rates of a railroad. You might say that is a board appointed in the interest of the people, and naturally it will be more favorable to the shipper than it will be to the rail carrier, and because of its primary interest in the shipper it will be unjust to the railroad, and therefore we ought not to have railroad regulation by a Government commission.

Mr. FRANKLIN. But I think you ought to distinguish between the two. I have not contended at all that the board was unwise. My contention is that the construction and operation of steamers by the United States is unwise, detrimental to the best interests of the building up of the American merchant marine in foreign trade, not the board.

Senator FLETCHER. But even in the instance you gave about the scramble for ships—take, for instance, between Mobile and Galves-

ton and New Orleans and Savannah—if they only had one ship it would be better for all of them if they had one ship than if they had none, would it not?

Mr. FRANKLIN. You could not persuade any one man down there that it would be better for him because he might get a thousand bales in it and somebody else 2,000 bales, and there would be a grand squabble between them all.

Senator FLETCHER. Precisely, but it would be better for the whole commerce of the country and for the public generally that we have one ship where we have not any now?

Mr. FRANKLIN. Senator, if you were creating any steamer that were going to relieve the present emergency I would have a different view, but you are not going to get a single solitary steamer that is not working to-day, therefore you can not relieve this emergency, and in ordinary normal times there are plenty of steamers for the commerce.

Senator JONES. But we could even provide for the construction of ships under the bill and let them be leased, and then we would have them?

Mr. FRANKLIN. Certainly.

Senator JONES. Without having them distributed by this board, and have this one steamer he refers to, and without this political controversy.

Mr. FRANKLIN. You would have it in due course, but you would not have it to relieve the present emergency, because you can not get it.

Senator FLETCHER. I was not speaking of the present emergency, but of the trouble you refer to, a port having one ship and not having ships enough to go around.

Mr. FRANKLIN. There has always been plenty of steamers prior to this war, and will be again when the war is over.

Senator LIPPITT. Plenty of ships provided by private capital?

Mr. FRANKLIN. By individuals.

Senator LIPPITT. This naval auxiliary, section 12, that you said was a good thing. I do not know exactly what a naval auxiliary reserve is. The naval auxiliary reserves are some young men around in some of the ports, very few in number, who have had two or three yachts assigned to them as practice ships. It is not contemplated by this section that any number of these vessels should be used as auxiliary to the Navy, as auxiliary reserves? That is merely a provision that in case one or two or three or four ships were suitable for special purposes, is it not, Senator Fletcher?

Senator FLETCHER. I think you have confused the matter a little in talking of them as naval auxiliary reserves. The idea is that the men on all of these steamers shall all be American citizens and constitute a personnel for a naval reserve.

Senator LIPPITT. Are they going to be engaged in commerce?

Senator FLETCHER. As they may be available.

Senator LIPPITT. Is this contemplated that the vessels shall be engaged in commerce, loading corn and horses and pigs and various things, is it contemplated that these officers are going to be lieutenant commanders of the Navy?

Senator FLETCHER. That can be.

Senator LIPPITT. Because I should think it would be a pretty difficult proposition to get men of that kind to engage in that sort of traffic. I do not know what this is included for exactly.

Senator FLETCHER. The object is to train men so they can be useful, and may learn to understand how to sail a ship and learn to understand their business as sailors and become capable of being officers.

Mr. WILLIAMS. You will have them employed, you know, and if, for sake of argument, you want to put in commission, or had some additional transports, you could call upon these men to command those transports, duties they would be qualified to perform by their experience.

Senator LIPPITT. I do not see any objection to it, but I did not know what it meant.

Mr. FRANKLIN. We are very short of officers and engineers and everything of that kind, and anything you can do to relieve the situation will be beneficial.

Senator FLETCHER. Yes; they may be employed.

Mr. FRANKLIN. It might be wise to put in the bill that such men should receive some little compensation from the Government.

Senator LIPPITT. Yes; if you do that I can see the point to it. As it is it seems to me an inoperative provision.

Mr. FRANKLIN. That would make them more anxious to enroll and take a greater interest in it. What the shipping business needs is cooperation and assistance. If we can get that, I believe we could do something better in the future than in the past.

I am sorry to have taken so much of your time, and I thank you.

The CHAIRMAN. We are much obliged to you, and we are responsible for the time taken more than you are.

The CHAIRMAN. We will next hear from Mr. Shearman.

STATEMENT OF MR. L. H. SHEARMAN, VICE PRESIDENT W. R. GRACE & CO., NEW YORK.

Mr. SHEARMAN. Mr. Chairman and gentlemen, I feel that no legislation is necessary upon this subject at this time, or is desirable. Our trade generally is increasing and the steamers are being constructed by people who are interested in shipping. The yards are full of work, and I do not see that this Government ownership proposition can in any way get us more ships to relieve our immediate situation than we are going to get anyhow.

W. R. Grace & Co. have since the war contracted for five ships. Four of them are still to be delivered. We endeavored some two months ago to contract for two more, but could not get them delivered under two years in this country.

Senator LIPPITT. Did you buy them?

Mr. SHEARMAN. We contracted for them. We inquired in England and could not get any guaranty of delivery at all. We tried Holland and could not get a promise under three or four years and we gave it up. We tried Denmark and found that the best contractors there are filled up for four years.

Senator JONES. How much did you want to expend?

Mr. SHEARMAN. In those ships?

Senator JONES. Yes.

Mr. SHEARMAN. The two boats that we wanted to build were boats of about 6,000 tons dead weight, freight and passenger boats, which would cost about \$1,000,000 each. We have two now contracted at about that price here, and wanted two more.

Senator FLETCHER. How many ships have you now?

Mr. SHEARMAN. We have 6 English, 10 American, and 4 contracted, which will make 20 altogether:

Senator FLETCHER. Where is your line operating now?

Mr. SHEARMAN. Prior to the closing of the canal we operated a service from coast to coast—New York to San Francisco, and Portland to Seattle. We have operated for 25 years from New York to the west coast of South America. We are now chartering boats tramping to the east coast of South America, but we do not operate a line to the east coast.

We feel that Government ownership would have the effect of deterring capital from going into the business and would do no good. The number of ships that are to be provided is insignificant and the proposition at this time is unfortunate. We prefer not to have such a bill pass.

Senator FLETCHER. Now that the canal is opened, are you operating from coast to coast?

Mr. SHEARMAN. No, sir; for the reason that trade is unremunerative as compared with other trades. I do not think there would be any objection at all to the acquisition by the Government of colliers or naval auxiliaries in the manner which Mr. Franklin indicated, but I do see serious objection to the boats being built primarily for commercial purposes.

Senator JONES. You see no objection to the powers given this board in the bill?

Mr. SHEARMAN. I do not quite agree with Mr. Franklin on that matter. I do not think we need any board at the present time at all. Aside from that I do not see any serious objection. There are one or two things in the bill that I think could be improved.

Senator JONES. That is, if we are to have a board.

Mr. SHEARMAN. Yes. Now, with regard to discrimination. Mr. Chairman, you asked Mr. Dearborn some questions affecting South America. I can answer so far as the west coast of South America is concerned from my experience, which runs back some 25 years. There has been no discrimination by the European shipowners as against the United States. The European lines in that trade for a good many years have been in conference: they have a regular tariff, and generally our rates over here have been slightly less than theirs. We have been requested several times to join their conference, but did not see our way to do it, because we did not want to maintain the rates that they had been charging for more than 20 years..

Senator FLETCHER. How would it be where we had to rely upon the foreign ships instead of domestic ships—just our domestic ships?

Mr. SHEARMAN. They were British ships. All ships in that trade at the time were British ships. At the outbreak of the war we had 11 British ships. We transferred three to the American flag, we lost two by German cruisers, and we have six British ships still.

Senator FLETCHER. They are flying the British flag, but they are American-owned?

Mr. SHEARMAN. In our particular case, yes.

Senator FLETCHER. But I mean in the case where they fly a foreign flag and have a foreign owner?

Mr. SHEARMAN. The ships that are trading outside of ours—there were, of course, others than ours in the business—were British-owned ships. They were operated by firms here who operated them on a time charter, and I do not see how any discrimination was possible, because the owners of the ships did not make the rate of freight. They simply chartered his ship at the market rate of so much per month. The firm that charters the ship makes the rate of freight that are charged shippers, and that has been done in the South American trade in both the east and west coast.

Senator FLETCHER. You do not mean that there has been no discrimination from the east coast, do you?

Mr. SHEARMAN. There was no discrimination possible on the part of the shipowner where he chartered the ship on time.

Senator FLETCHER. But you do not mean to say there has been no discrimination as against the United States on the east coast?

Mr. SHEARMAN. I am not familiar with the situation on the east coast. I have not been in that trade. I do not know of any instance of discrimination, nor do I see how it could be, but I could not say of my own knowledge that there has not been.

Senator FLETCHER. I can give you a specific instance of that.

Mr. SHEARMAN. Where the owners had?

Senator FLETCHER. I do not say the owners of ships. I think there are one or two things that I could call your attention to.

Senator LIPPITT. What do you know about fighting ships?

Mr. SHEARMAN. In my experience I have not met them. I have heard of them.

Senator LIPPITT. Do you know of any instance of them?

Mr. SHEARMAN. No, sir; not in our trade. There has been for years a constant competition to and from the United States in that trade. There have been ships, for instance, Wessel, Duval & Co. have run a line, and Balfour Williamson & Co. have chartered at times, and the U. S. Steel Co. run a line—and there has been competition, but there has been no such thing as fighting ships in my experience.

Senator FLETCHER. Do you think those things have been common in the trade anywhere?

Mr. SHEARMAN. Oh, such things have been; I know from the testimony in the English investigation many years ago—10 or 12 years ago—but I have never had any experience with them.

Now, in the third section of this bill, providing for the appointment of commissioners, it is stated: "No commissioner shall actively engage in any other business, vocation, or employment." I was going to suggest that rather limits the number of men that you can get to act as commissioners. If the bill is passed you want commissioners of the widest possible experience, and I hardly think you could get good men, or at all events, it would be very difficult to get good men with any other employment to take the position at \$10,000 a year. Their commercial value amounts to a good deal more than that.

The act provides in section 14, page 12, as follows:

The proceeds of such bonds and the net proceeds of all sales, charters, leases of vessels and of sales of stock made by the board, and all other mon-

received by it from any source, shall be covered into the Treasury to the credit of the board, and are hereby permanently appropriated for the purpose of carrying out the provisions of sections 5 and 11.

Under that you can go on indefinitely—that is, until five years after the war—by constructing and continuing to construct from the proceeds of this original \$50,000,000. It goes considerably beyond the apparent scope of the bill. It really amounts to an investment of much more than \$50,000,000. I suggest that that be changed.

The CHAIRMAN. That is the limit. That is the only money they are given—that \$50,000,000. If they put it in ships and sell the ships they can only reinvest the amount that they can get. It contemplates a process of building and selling, does it not?

Mr. SHEARMAN. Assuming you have rented your ships on the basis of 4 per cent interest and 6 per cent depreciation, that would be \$5,000,000 a year of income, which under that clause may be invested for five years, and you would have \$25,000,000 more than the bill proposes in ships.

The CHAIRMAN. You mean to invest the income?

Mr. SHEARMAN. It states that here.

Senator JONES. What do you mean by the statement, for five years?

Mr. SHEARMAN. This bill runs for five years after the war.

Senator JONES. That is just operation. This bill goes on indefinitely, so far as the existence of the board is concerned.

Mr. SHEARMAN. The revenue would be received for a period of five years.

Senator JONES. And the revenue would not only be received for five years. The minimum time is five years for this corporation, if they see fit to perform it.

Mr. SHEARMAN. In that case it would go on even longer than I have indicated.

On page 13, line 15, article 4 is as follows:

Fourth. Make any unfair or unjustly discriminatory contract with any shipper based on the volume of freight offered, or unfairly treat or unjustly discriminate against any shipper in the matter of (a) cargo space accommodations or other facilities, due regard being had for the proper loading of the vessel and the available tonnage; (b) the loading and landing of freight in proper condition; or (c) the adjustment and settlement of claims.

That is rather indefinite, but what I want to call attention to, it is purely a question of what is unfair and unjust. Nevertheless the penalty provided is this:

Any carrier who violates any provision of this section shall be guilty of a misdemeanor punishable by a fine of not more than \$25,000 for each offense.

It is pretty hard to say what would be deemed unfair or unjust, and it seems to me that the fine is out of all proportion when the man is acting in perfectly good faith.

Senator LIPPITT. What did you say the fine was?

Mr. SHEARMAN. \$25,000.

The CHAIRMAN. What section is that?

Mr. SHEARMAN. It is article 4, section 15, on page 13.

Senator JONES. The fine would be imposed by a court, and the court would take all of the circumstances into consideration.

Mr. SHEARMAN. It is a question of judgment as to what is unfair. The bill clearly recognizes that there may be discrimination. It does

not punish discrimination but unfair and unjust discrimination. A man may be in perfectly good faith, making a discrimination which seems to him to be quite just. The court holds it is not, and it is hardly fair to fine him \$25,000, punishing it as a misdemeanor. But the fine might be imposed if it was a willful neglect to obey some decision. In my judgment it seems pretty stiff.

Senator JONES. Who determines whether it is unfair or unjust?

Mr. SHEARMAN. In the first place, the manager of the steamship company has got to determine it, whether what he has got to do is fair or unfair. Now, having done that he goes to the commission or court to determine whether it is fair or unfair and when a man, in perfect good faith, has simply made a mistake in judgment he should not be fined \$25,000.

Senator JONES. What I was trying to get at was whether the board made it?

Mr. SHEARMAN. It does not come before the board. That question does not arise.

Senator JONES. If the board finds it unjust, does that finding make it a misdemeanor? I had supposed that the whole matter would have to be brought before the court?

Mr. SHEARMAN. I think the board settles it.

Senator JONES. This board does not sit with jurisdiction as a criminal body, does it?

Mr. SHEARMAN. Yes.

Senator FLETCHER. No; it is no court. They have no judicial power.

Senator JONES. Surely it does not mean that.

Mr. FRANKLIN. We suggested some time ago that it be reviewed by the courts.

The CHAIRMAN. The board certainly would not have the right to declare a man guilty of a misdemeanor; all they could do would be to find that the rate was unfair and unjust and discriminatory, and then the proceedings to enforce this penalty would have to be before a court.

Senator JONES. That is under section 15, is it?

Mr. SHEARMAN. It is in section 15, at the bottom of page 13. It is a very nice question as to what is just and unjust discrimination. What one man may say is just, another man might say is unjust. It is not a willful violation of the law.

Senator JONES. This section does not provide that the board shall prevent these things. I take it that it would be clearly a matter for the court to decide.

The CHAIRMAN. Yes; the court would pass on it as a misdemeanor. It is a criminal law; that is what it is.

Mr. SHEARMAN. In any case, I suggest that it be amended.

The CHAIRMAN. It is a question whether the word "willful" ought to be inserted?

Mr. SHEARMAN. Yes, sir.

The CHAIRMAN. I think the word "willful" does appear in the interstate commerce act.

Mr. SHEARMAN. "Any willfully unfair or unjust discrimination." I think that would cover it.

In section 18 the board has power to compel the making of a satisfactory rate. If I understand the scope of the bill, it was not the

intention to give the board that power. Section 18, page 16, of the bill provides as follows:

Sec. 18. That no common carrier by water in foreign commerce shall demand, charge, or collect any rate, fare, or charge which is unjustly discriminatory between shippers or ports, or unjustly prejudicial to exporters of the United States as compared with their foreign competitors. Whenever the board finds that any such rate, fare, or charge is demanded, charged, or collected, it may alter the same to the extent necessary to correct such unjust discrimination or prejudice and make an order that the carrier shall discontinue demanding, charging, or collecting any such unjustly discriminatory or prejudicial rate, fare, or charge.

I suppose the practice under that would compel the steamship company to make such rates as the board deemed proper.

The CHAIRMAN. For the purpose of correcting that discrimination?

Mr. SHEARMAN. Yes, sir. Well, it seems to me it could be construed a little bit broadly. It could be construed in such a way as to give the board practically the power to require the steamships to meet such rates.

The CHAIRMAN. It is a conditional power to regulate the rate, but only to a limited extent. They could not arbitrarily do it, but can only do it to the extent of remedying the discrimination.

Senator FLETCHER. My recollection of the history of that section is that your Chamber came down before the committee, and as it was proposed it was considerably more extensive.

Mr. SHEARMAN. Yes; I think it has been modified some already.

Senator FLETCHER. It was modified at your suggestion?

Mr. SHEARMAN. Yes; I think it was modified once, but it seems to me still a little wide.

Mr. CHAIRMAN. I think that is all I have in mind in connection with the bill.

Senator JONES. I wish to ask Mr. Franklin a question. It does not bear directly on this matter, but is something I have heard talked of a good deal.

STATEMENT OF P. A. S. FRANKLIN, RECEIVER FOR THE INTERNATIONAL MERCANTILE MARINE CO.; PRESIDENT OF THE ATLANTIC TRANSPORT CO., WEST VIRGINIA—Resumed.

Mr. Franklin, you stated that you had two ships, or two parallel ships, as I understood you, sailing from the same ports?

Mr. FRANKLIN. Yes, sir.

Senator JONES. One under a foreign flag and one under the American flag, and that under the American flag they pay twice the wages that they do on the other. Why is that?

Mr. FRANKLIN. Well, you have to pay the officers and engineers and every class of labor on the ship more money under the American flag. That has always been the case. They have always got more money. They go unless they get more money.

Senator JONES. But they will go on another ship flying another flag at half the wages.

Mr. FRANKLIN. You get your crews on another ship flying a different flag from another port. Then, of course, the majority of them are living in a country where it is less expensive to live. But the difficulty is that you are running two steamers, one on one side of the pier under the American flag and one on the other side of the pier

under a foreign flag. You have to pay more under the American flag than under the foreign flag.

Senator JONES. I am trying to find out why you have to do that.

Mr. FRANKLIN. It is a matter of custom.

The CHAIRMAN. Is that not because our navigation laws require you to employ a certain number of American citizens where it is an American registered vessel, whereas if it is a foreign registered vessel you can employ anybody at any place where you can get them?

Mr. FRANKLIN. The navigation laws only require us to have three men on the bridge and three men in the engine rooms, American citizens with American certificates. You could get your crew anywhere you like, provided they understand instructions of the officers and the instructions of officers are modern and are in the seamen's bill.

The CHAIRMAN. That is true of your crew.

Mr. FRANKLIN. There are only three officers. You have to have three officers with American certificates and three engineers with American certificates.

The CHAIRMAN. Under the seamen's act you have to have a certain portion of the crew who can understand the orders of the captain.

Mr. FRANKLIN. That is right.

Senator LIPPITT. Would you have to pay more for a sailor under the English flag than you would under the American flag?

Mr. FRANKLIN. Under the English flag, no, sir; it is vice versa.

Senator LIPPITT. I mean you have to pay more under the American flag?

Mr. FRANKLIN. Yes, sir.

Senator LIPPITT. If a man could not get employment on an American vessel, he would go to the English vessel for much less wages?

Mr. FRANKLIN. That has always been the custom. It seems that an effort is now being made to fix a rate for the port, and to a certain extent, I think, they have accomplished that. But up to recently you could always get a foreign-flag crew for less money than you could an American flag even at the same pier.

Senator JONES. And on the same boat?

Mr. FRANKLIN. A different boat, but the same pier.

Senator JONES. And you think that is just a custom?

Mr. FRANKLIN. Yes, sir; it is a custom. It is a question of the scale of wages here versus the scale of wages in other countries.

Senator LIPPITT. Is that due to the fact that the English vessel will come in with a crew that was paid less wages and go out with another crew?

Mr. FRANKLIN. An English vessel might come in and might have some men who would desert, and they would have to get men to take their places.

Senator LIPPITT. The American vessel would start out from here with her crew—

Mr. FRANKLIN. She would start out from here with her crew.

Senator LIPPITT. And come back with the same crew.

Mr. FRANKLIN. Yes, sir.

Senator LIPPITT. So that the real reason for that is that the bulk of the crew on the English vessel was shipped abroad?

Mr. FRANKLIN. The reason to a large extent is because there is a fixed rate of wage on the ship, and that accounts for it to some extent. Even if you had not an American crew and got a crew over

there and came here and wanted sailors for it you could not get them.

Senator JONES. I know I heard 13 years ago a man testified before the Committee on the Merchant Marine of the House, and he made that same statement—that on the same boat and the same pier if you wanted to enlist men under the American flag and paid them a certain wage they would go to another ship with another flag.

The CHAIRMAN. Now, are you going to remedy that by legislation?

Mr. FRANKLIN. I think it is rather too late to-night to go into that, but I think that can be regulated to a certain extent. I do not think we can correct it entirely.

Senator JONES. I did not mean to start any discussion upon the matter. I simply wanted to know if Mr. Franklin could give an explanation of that peculiar condition.

Mr. FRANKLIN. You can not correct it entirely. It is, I think, because the American will always get a little more money; because conditions of living are different.

(Thereupon, at 10.20 o'clock p. m., the committee adjourned to meet on call of the chairman.)

CREATING A SHIPPING BOARD, A NAVAL AUXILIARY, AND A MERCHANT MARINE.

TUESDAY, JUNE 20, 1916.

UNITED STATES SENATE,
COMMITTEE ON COMMERCE,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., in the committee room, at the Capitol, pursuant to adjournment, Senator F. M. Simmons presiding.

Present: Senator Simmons (chairman), Senator Fletcher, Senator Jones, and Senator Lippitt.

There were also present, Messrs. Frank F. Gallagher, secretary of the Goodwin-Gallagher Sand & Gravel Corporation, and president of the New York Boat Owners' Association; Capt. N. L. Cullen, secretary-treasurer of the National Board of Steam Navigation; Ernest Stavey, representing Henry Steers (Inc.), in the New York Boat Owners' Association, also secretary of the New York Boat Owners' Association (Inc.); Eugene F. Moran, president of the Moran Towing & Transportation Co., also president of the National Board of Steam Navigation; Fred B. Dalzell, president of Fred B. Dalzell & Co. (Inc.), also vice president of the New York Boat Owners' Association; Joseph J. Glatzmeyer, manager of the Merritt & Chapman Derrick & Wrecking Co.; William E. Cleary, director of the New York Board of Trade & Transportation; Capt. Jacob Richert, president of the Richert Towing Line; Arnon L. Squiers, attorney at law; and B. S. Grosscup, attorney at law, Tacoma, Wash.

The subcommittee resumed the consideration of the bill (H. R. 15455), "To establish a United States shipping board, for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve and a merchant marine to meet the requirements of the commerce of the United States with its Territories and possessions and with foreign countries; to regulate carriers by water engaged in the foreign and interstate commerce of the United States, and for other purposes."

The CHAIRMAN. Mr. Squiers, Mr. Grosscup is here and wishes to make a short statement, and the committee will hear him now, as he desires to get away.

Mr. GROSSCUP. That is entirely agreeable to me, Mr. Chairman.

STATEMENT OF B. S. GROSSCUP, ATTORNEY AT LAW, TACOMA, WASH.

Mr. GROSSCUP. I appear, Mr. Chairman and gentlemen, as counsel for the Pacific-Alaska Navigation Co., and, by courtesy, I am representing the Pacific Coast Co. in the particular matter here, although

I am not their general counsel, but am counsel of the Alaska Navigation Co.

These three lines are operating regular steamers to Alaskan ports—American-built steamers and steamers under American registry, carrying passengers and freight. The present navigation laws, as construed by the courts and by the department, forbid the carrying of coastwise freight in other than American-built vessels. The law, as it stands with respect to passengers, is as follows:

The CHAIRMAN. Will you please give the volume from which you are reading?

Mr. GROSSCUP. It is section 8 of the act of June 19, 1896, as amended by section 2 of the act of February 17, 1898. It now reads as follows:

The CHAIRMAN. Have you the page or the volume of the Revised Statutes?

Mr. GROSSCUP. It is section 4347 of the Revised Statutes, and is as follows:

No foreign vessel shall transport passengers between ports or places in the United States, either directly or by way of a foreign port, either for the full voyage or any part thereof, under penalty of \$200 for each passenger so transported and landed.

That is the existing law. In 1894 the circuit court of appeals in the ninth circuit held that under the freight section, which is the following section, and almost in the same identical language, the shipment of merchandise from New York to Antwerp by one vessel and from Antwerp to California by another vessel did not come under the terms of this act. Congress, in 1898, on their attention being called to that decision by the Treasury Department, amended that section and inserted the words "or any part of the voyage." But those words were not inserted in the passenger section, which is the one I now call attention to.

The matter did not become acute until this last year. On the completion of the Grand Trunk Pacific Railroad to the Pacific coast, with its terminus at Prince Rupert, it placed on a vessel from Seattle to Prince Rupert, and another vessel from Prince Rupert to Alaskan ports, both foreign. They sold tickets from Seattle to Alaskan ports by giving one ticket from Seattle to Prince Rupert, or Prince Rupert and return, as the passenger might desire, with another ticket from Prince Rupert to Alaskan ports and return via another vessel. The passenger is transferred at Prince Rupert from one vessel to another.

The CHAIRMAN. Both, then, are foreign vessels?

Mr. GROSSCUP. Both are foreign vessels. The matter has been ruled upon by the Attorney General and by the Department of Commerce—the Commissioner of Navigation—and held to be a successful evasion of the law. If it were a matter of original view, I would be inclined—and the Attorney General probably now would be inclined—to say that it was erroneous, but in view of this ninth circuit decision, acquiesced in by the department for a number of years, it is the general judgment that that is a successful evasion of the law. The result is that the purpose and spirit of the law is successfully evaded. Passengers are being carried in large numbers in these foreign vessels.

The CHAIRMAN. They do not do that as to freight, but simply as to passengers?

Mr. GROSSCUP. They do not do it as to freight. The freight section was amended in 1898.

The CHAIRMAN. What you want now is—

Mr. GROSSCUP. We want the substance of the freight section put into the passenger section. The matter was taken up through Senator Jones with Secretary Redfield and in connection with this ruling, as the committee will understand, and as a result of that, Secretary Redfield, through Assistant Secretary Mr. Sweet, in consultation with myself, drafted an amendment to section 9 of the pending shipping bill where it seemed to fit in. The pending shipping bill allows, with the consent of the board, foreign-built vessels to engage in this class of the coasting trade with Alaska under certain conditions; so it is naturally a place for it to fit in. But it does cover this manifest evasion. Senator Jones has the Secretary's letter.

Senator JONES. I suggest that you read it with the amendment.

Mr. GROSSCUP. The amendment would be adding, after the word "vessel," page 7, on line 10, the following:

Provided further, That no foreign vessel shall transport or participate in transporting passengers or freight from any port or place in the United States to any port or place in Alaska—

It was thought advisable to confine this amendment to the situation in the Northwest—

or from any port or place in Alaska to any port or place in the United States, either directly or by way of a foreign port or place, either for the full—

Now, here is the material part—

or any part of the voyage, or shipment. Any vessel which violates or participates or aids in violating this provision shall be subject to a penalty of \$200 for each passenger so transported and the forfeiture of the freight so transported—

Now, this is the penalty, and would be new—

and any person who engages or aids in the violation of this provision shall be subject to the penalty of this act.

That is to reach the agent of the company who sells the tickets in case the vessel can not be reached.

The CHAIRMAN. You simply want to make the law with respect to passengers the same as the law covering freight?

Mr. GROSSCUP. The same as the law covering freight. That is the purpose.

The CHAIRMAN. And that is the decision that you refer to?

Mr. GROSSCUP. Yes, sir.

The CHAIRMAN. I think I understand you.

Senator LIPPITT. What would be the effect of that if somebody in Alaska wanted to go to Japan, and after staying there a month wanted to go from Japan to San Francisco?

Mr. GROSSCUP. That would not be a continuous trip.

Senator LIPPITT. Is there anything in what you read about a continuous trip?

Mr. GROSSCUP. The words "shipment" and "trip" have well-defined meaning, judicially determined in numerous commerce decisions.

By the use of these words the law will be certain and definite in the light of these decisions.

Senator LIPPITT. How would it differ exactly from the case that you have cited?

Mr. GROSSCUP. The Attorney General ruled that the present law as to freight would not apply where it was a bona fide broken shipment, but where the shipment is intended in the first place to go through, then it would be applicable.

The CHAIRMAN. Your contention or theory is that this scheme or arrangement constitutes one transaction?

Mr. GROSSCUP. Yes, sir.

The CHAIRMAN. All one transaction?

Mr. GROSSCUP. It is one transaction. They sell the tickets.

Senator FLETCHER. It is one voyage.

Mr. GROSSCUP. They sell either two tickets or four tickets or two round-trip tickets. It is one voyage, and there is no difference in practice from buying a sleeping-car ticket to San Francisco and stepping off of one sleeping car to another. It is just the same practice. It is a manifest evasion of the law, and apparently a successful evasion.

Senator JONES. Mr. Chairman, I think in connection with that it would be well to put the letter of the Secretary of Commerce in the record, inasmuch as it has been referred to.

The CHAIRMAN. Yes; the Secretary's letter will be inserted.

(The letter referred to is here printed in full, as follows:)

DEPARTMENT OF COMMERCE,
OFFICE OF THE SECRETARY,
Washington, June 15, 1916.

MY DEAR SENATOR: Transmitted herewith is copy of letter to-day sent to Judge Alexander, bearing on the matter in which Mr. B. C. Grosscup, of Seattle, is interested.

Yours, very truly,

WILLIAM C. REDFIELD, *Secretary.*

Hon. WESLEY L. JONES,

United States Senate, Washington, D. C.

—
JUNE 15, 1916.

DEAR JUDGE ALEXANDER: The Grand Trunk Pacific Railway, since it has completed its line to Prince Rupert, British Columbia, has been brought to the attention of this department in a number of ways as an aggressive and serious disturber of the normal commercial relations between the United States and Alaska. This appears especially in two ways. The passenger service from our northwestern ports to Alaska is good and adequate and has been adjusted from time to time to meet every existing need. It has been operated by three American companies, whose ships sail wholly under the American flag. Into this field the Grand Trunk Pacific has broken by an arrangement whereby they seem legally to evade our law. They sell a ticket from Puget Sound ports to Prince Rupert and with it a ticket from Prince Rupert to an Alaskan port, and they will put this in round-trip form if wanted. The passengers and baggage are transported by direct steamer from our port to Prince Rupert, there transferred to a vessel bound from Prince Rupert to Alaska, and vice versa on the return trip. They are cutting rates, and by reason of an aggressive campaign on this basis are taking from 60 to 75 passengers a week and threatening, and in fact making, serious inroads upon the business of the American companies.

The legality of their action is based upon certain decisions which seem to make their course one which may be called a legal evasion. It has been suggested to this department that it would be proper to have the shipping act so amended in the Senate that the shipping board thereby created should have power to deal with this question, so that if found upon hearing that the service between the United States and Alaska was adequately maintained by vessels under the American flag it should be authorized to prohibit the break-

ing into that service by such indirection as I have described of vessels under a foreign flag. It is the judgment of this department that such a power could be wisely intrusted to the shipping board, and if an amendment of this nature were offered in the Senate, it would have the approval of this department. It would be simply adding one normal power to those which the board by its nature was intended to have. It would also afford us a definite and practical means of reaching what at present is an almost impossible situation.

I have asked Mr. B. S. Grosscup of Seattle, who is familiar with the law and the facts in this matter, to talk with you about it. He comes to me from Senator Jones of Washington and is the general counsel for one of the Alaska steamship companies and by courtesy represents them all.

For your information, and referring to H. R. 15839, pending before the Committee on Ways and Means, let me state the second case in which the Grand Trunk Pacific Railway appears as a serious disturber of our commerce with Alaska:

Nearly four-fifths of our national supply of fresh halibut comes from the Alaska deep-sea fisheries. This fish is shipped fresh, iced, to the central and eastern portions of the United States. Heretofore it has been prepared for shipment at Ketchikan and forwarded through Puget Sound ports. With the completion of the line of the Grand Trunk Pacific Railway to Prince Rupert, an aggressive campaign was entered upon by that company to take over this business, and the effort has had large success. This is so true that our town of Ketchikan is threatened with economic ruin. Canada has granted the privilege of shipping this fresh fish in bond to the United States. The Grand Trunk Pacific Railway has much the shortest line in distance and time between the fishing fields and our consuming centers, and is granting special privileges and inducements to the fishing concerns to divert their business from Ketchikan on the one hand and Seattle on the other to Prince Rupert. We are informed by the largest fishing interests that unless some steps are soon taken they will have to remove their interests from United States ports to Prince Rupert.

Under existing conditions the cargoes of fresh halibut, amounting to many millions of pounds per annum, are carried directly by the American port of Ketchikan, landed, iced, and prepared for shipment at Prince Rupert, whence three trains weekly run, catering to this special trade. The Grand Trunk Pacific Railway has stated that they will put on a ferry service of 90 miles to Ketchikan to handle this fresh fish from the latter port if and when they are forced to do so.

The matter has been taken up by this department and the Department of State with the British ambassador, but without result, and I have personally brought it informally before the transportation authorities of Canada, also without result. It is now proposed to enact—

"That from and after 90 days after the passage of this act no fresh or frozen halibut or salmon from the north Pacific Ocean or its tributary waters shall be admitted into the United States through any foreign country except when the same shall be in bond from an American port."

The above proposition is approved by the Department of State, the Department of the Treasury, the Department of Commerce, and by the President. It is earnestly hoped that it will be included in the pending internal-revenue bill.

I have not hesitated to point out to the Canadian authorities informally, as to the British ambassador, that the policy followed by the Grand Trunk Pacific Railway in this respect is a very shortsighted one. They are the shortest line by rail and water to Alaska from the central and eastern portions of the United States, and if their policy were broad and considerate the development of Alaska would naturally bring a very largely increased traffic to them. If, however, they take such steps as seem now to be their policy—to grasp this traffic in such a way as to do harm to the legitimate interests of the United States—it is evident that we must take steps to protect our own interests and our own ports, and that this will be done effectively without doubt, and that thereby the Grand Trunk Pacific Railway itself can not fail to be the loser.

Yours, very truly,

WILLIAM C. REDFIELD, Secretary.

Hon. J. W. ALEXANDER,

Chairman Committee on Merchant Marine and Fisheries,

House of Representatives, Washington.

Senator LIPPITT. It would seem to me that the language of the provision that you desire to put in is very far-reaching. But I suppose we can consider that later.

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The CHAIRMAN. Yes; we will not, of course, take any action about it at this time.

Mr. GROSSCUP. I want to be frank and say that my original proposition was to make the passenger section identical with the freight section, simply inserting the words, "or for part of the voyage." The proposed amendment which I have read would be satisfactory, or the following:

"No foreign vessel shall transport passengers between ports or places in the United States either directly or by way of a foreign port, either for the full voyage or any part thereof, under penalty of \$200 for each passenger so transported and landed."

The CHAIRMAN. That is all you are really insisting upon?

Mr. GROSSCUP. Yes, sir; but the other proposition came about through conferences.

(Subsequently, at the request of Senator Jones, the following data were submitted by Mr. Grosscup for the information of the committee, as follows:)

TACOMA, WASH., May 26, 1916.

Mr. B. S. GROSSCUP, City.

DEAR SIR: *Re law prohibiting foreign vessels transporting passengers between United States ports.* Attached hereto you will find a copy of a letter from E. E. Kelly to Mr. Ringwood, which explains the present status of the law prohibiting the transportation of passengers by foreign bottoms between ports in the United States in so far as the rulings of the departments at Washington have construed the same.

The Grand Trunk Pacific Steamship Co. is a Canadian corporation, owning several boats running from Seattle to Prince Rupert. They are advertising in both Seattle and Tacoma daily papers round trips from Seattle to Alaskan ports, leaving Seattle every Monday. They sell a passenger two tickets, one from Seattle to Prince Rupert and return, and another from Prince Rupert to the Alaskan ports and return. Passengers are required to change vessels at Prince Rupert. By this device they claim to avoid the prohibition of our law because the trip involves two distinct voyages.

If the act of June 19, 1886, chapter 421, section 8, as amended by the act of February 17, 1898, chapter 26, section 2, were amended to read as follows we believe this practice could be stopped. The amendatory provisions are italicized.

"No foreign vessel shall transport passengers between ports or places in the United States, either directly or by way of a foreign port, *either for the full voyage or any part thereof*, under penalty of \$2\$\$ for each passenger so transported and landed."

The burdens imposed upon American shipowners by the Federal laws increase the expense by way of wages and food and quarters for the crew more than 40 per cent over what these items cost the Canadian owners. The Grand Trunk boats are taking a very considerable portion of our business by means of the practice complained of. The Pacific Coast Co. and the Alaska Steamship Co. unite with us in protesting against the continuance of this practice and in requesting that the law be amended.

Mr. Alexander suggests that in connection with your visit to Washington you should discuss this matter with the company's local attorney there, Mr. E. H. Duff, 1306 F Street, NW. He has represented the company in a number of matters before various departments of the Government and his suggestions may be of considerable value.

Yours, very truly,

W. C. MONOUS.

SEATTLE, WASH., May 17, 1916.

Mr. R. J. RINGWOOD,
Manager Pacific Alaska Navigation Co., Seattle, Wash.

DEAR SIR: Referring to your letter of the 11th instant, relative to the transportation of freight and passengers between Seattle and United States ports in Alaska by steamers of the Grand Trunk Pacific Coast Steamship Co., I

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would state that these steamers, on account of their foreign registry, can not under any conditions carry merchandise between this port and ports in Alaska without the merchandise so carried becoming subject to forfeiture. Section 4347 of the Revised Statutes of the United States, as amended, provides that:

"No merchandise shall be transported by water, under penalty of forfeiture thereof, from one port of the United States to another port of the United States, either directly or via a foreign port, or for any part of the voyage, in any other than a vessel of the United States."

Merchandise, therefore, can not be carried a portion of the voyage in one foreign vessel, discharged at a foreign port en route, reladen on another foreign vessel and carried to its destination without becoming subject to forfeiture under the above section. A foreign vessel can not perform any part of the carriage of merchandise between American ports even if the transportation for a part of the voyage was by an American vessel.

The Grand Trunk Pacific boats are, therefore, excluded from taking any part in the movement of freight to Alaskan ports.

In regard to the carriage of passengers, the above section, as amended by the acts of June 19, 1886, and of February 17, 1898, provides that:

"No foreign vessel shall transport passengers between ports or places in the United States, either directly or by way of a foreign port, either for the full voyage or for any part thereof, under penalty of \$200 for each such passenger so transported and landed."

Under the above provision a foreign vessel can not take on passengers at a port in the United States and carry said passengers to another port in the United States even though a call be made at a foreign port en route, but the Grand Trunk Pacific Coast Steamship Co. can carry passengers from Seattle to Vancouver or Prince Rupert, British Columbia, on one of their vessels, transfer them to another foreign vessel and in this manner carry them to their destination in Alaska. In other words, under the law, two foreign vessels could accomplish what one single foreign vessel would not be allowed to do. This is the only manner in which the Grand Trunk Pacific boats can carry passengers between Puget Sound and Alaskan ports.

The department at Washington ruled, under decision No. 28, June 1, 1904, and decision No. 87, June 14, 1905, that passengers carried from Ketchikan, Alaska, to Vancouver and Victoria, in British Columbia, on the steamer *Princess May*, of the Canadian Pacific Railway, and thence between these ports and Seattle on the steamer *Beatrice*, did not subject these vessels to a penalty, as neither had carried passengers direct from one United States port to another United States port.

Under the date of March 15, 1916, the Commissioner of Navigation ruled that passengers from various places in the United States, on tickets sold from such points to Seattle via Prince Rupert, might make the voyage from Prince Rupert to Skagway and return to Prince Rupert as a separate voyage, and, then, complete the trip from Prince Rupert to Seattle on the same vessel on the original ticket without this transportation being a violation of the coastwise laws, but no direct passenger traffic could be handled by these vessels except by a change of steamer at a foreign port.

I understand that the Grand Trunk Pacific Coast Steamship Co. is carrying passengers from Seattle to Prince Rupert in their steamer *Prince Rupert* and from Prince Rupert to Alaska on the steamer *Prince John*.

The amendment of the second paragraph of section 4347 by inserting "or for any part of the voyage," after "either directly or by way of a foreign port" would appear to be the remedy for the above situation, and would reserve to American vessels the entire right of handling all passengers destined from one American port to another.

Yours, truly,

E. E. KELLY.

DEPARTMENT OF JUSTICE,
Washington, February 26, 1910.

The SECRETARY OF COMMERCE AND LABOR.

SIR: I have the honor to acknowledge the receipt of your communication of the 19th instant, requesting an expression of my opinion upon the question whether section 8 of the act of June 19, 1886 (24 Stat., 81), as amended by section 2 of the act of February 17, 1898 (30 Stat., 248), has been violated by the German steamship *Cleveland* of the Hamburg-American Line, in landing, at

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San Francisco, about 615 passengers, who were a party of tourists taken on board at New York for a trip around the world. In the course of the cruise the vessel stopped at 17 ports, it being the purpose, when the voyage was begun, to disembark the passengers at San Francisco.

A history of the legislation upon the subject in question and the subject closely related thereto, to wit, domestic commerce in merchandise, will, I think, show the object of this statute.

In 1817 Congress enacted a law relating to the transportation of merchandise, which was brought into the Revised Statutes under the title "Vessels in domestice commerce" as section 4847, in the following form:

"No merchandise shall be transported under penalty of forfeiture thereof, from one port of the United States to another port of the United States, in a vessel belonging wholly or in part to a subject of any foreign power."

In *United States v. 250 Kegs of Nails* (61 Fed., 410), the Circuit Court of Appeals for the Ninth Circuit held that this statute did not include merchandise shipped from New York to Antwerp in one foreign vessel and afterwards forwarded by another vessel to a port in California, although the port in California was the objective point of shipment when the transportation was begun. This decision was rendered in 1894, but on February 15, 1898 (27 Stat., 455), after the case had arisen and before final decision therein, Congress amended said section by inserting after the word "power," the following: "and the transportation of merchandise in any such vessel or vessels from one port of the United States via any foreign port shall be deemed a violation of the foregoing provision."

Before the passage of the act of June 19, 1886, no similar provision applying to the carrying of passengers had been enacted, and section 8 of said act was inserted, which provided as follows:

"That foreign vessels found transporting passengers between places or ports in the United States, when such passengers have been taken on board in the United States, shall be liable to a fine of \$200 for every passenger landed."

The reason for the insertion of this provision was stated by the chairman of the Committee on Shipbuilding and Shipowning Interests, of the House of Representatives (Cong. Rec., 49th Cong., 1st sess., vol. 17, pt. 2, p. 1108), as follows:

"Section 8 imposes a penalty on a foreign vessel for transporting passengers between two ports of the United States. This has been rendered necessary by a construction which has been given to our laws, imposing a penalty on foreign vessels for transporting merchandise between ports of the United States. Merchandise has been construed by the department to cover simply goods transported. In view of the construction which has been given, there seems to be no penalty provided for the conveyance of passengers between ports of the United States. There have been found no difficulties in this respect except with Canadian vessels on the lakes, which have been accustomed during the summer season to come to the American side and convey excursion parties. And it has been suggested by the Treasury Department that the penalty which is provided by this section will be sufficient to break up the practice."

Said section 8 of the act of June 19, 1886, was amended by section 2 of the act of February 17, 1898, to read as follows: "No foreign vessel shall transport passengers between ports or places in the United States, either directly or by way of a foreign port, under a penalty of \$200 for each passenger so transported and landed;" and by section 1 of the same act the following was enacted as a substitute for section 4847, Revised Statutes, as amended by the act of February 15, 1898:

"That no merchandise shall be transported by water, under penalty of forfeiture thereof, from one port of the United States to another port of the United States, either directly or via a foreign port, or for any part of the voyage, in any other vessel than a vessel of the United States. * * *."

The object of the legislation contained in both sections 1 and 2 of the act of February 17, 1898, was fully explained in a communication from the Secretary of the Treasury to the chairman of the Committee on Commerce of the Senate, which was set forth in the report of the House committee (Rec. 55th Cong., 2d sess., vol. 31, pt. 2, pp. 1729, 1730), and which in part is as follows:

"Section 1 is a stronger and more explicit statement of certain provisions of section 4847 of the Revised Statutes. It is not put in the form of an amendment to that section, as the revisers of the statute saw fit to incorporate the treaty of Washington of 1871. The present validity of that legislation has for some years been disputed, and to avoid any legislative declaration on that

dispute as a part of this measure where it is not involved, the first section is drawn independently, though in effect it amends indirectly the other portions of section 4347.

"The essential amendment is in the words 'or for any part of the voyage.' The question has recently been put to the Treasury whether American goods consigned to Alaskan ports from Seattle can be carried in American vessels to Victoria, a distance of only 72 miles, and at Victoria be put on British vessels to be carried to Dyea, a distance of about 900 miles, or to St. Michael, a distance of about 2,000 miles. The Treasury Department has ruled that this is a violation of the laws reserving the coasting trade to American vessels. It is a palpable evasion of those laws, but in some quarters doubt is expressed whether the courts will not decide, as they did in the case of a shipment of a cargo of nails from New York to Antwerp by a foreign vessel, and thence to San Francisco by another vessel, that the law had been successfully evaded, not violated. That decision led to the amendment of the Revised Statutes, section 4347, by the act of February 15, 1893, prohibiting shipment 'via a foreign port.' That amendment, however, does not, perhaps, fully cover the transaction here referred to. The policy of the United States is to confine carrying by water for the whole voyage between American ports to American vessels. It is believed that section 1 explicitly affirms that policy and removes all doubt.

"Section 2. Section 8 of the act of June 19, 1886, imposes a penalty of only \$2 for each passenger on foreign vessels carrying passengers from one to another American port. This small penalty is wholly inadequate to preserve the coast-wise carrying of passengers to American vessels on the long and expensive voyages from the Pacific coast of the United States to Alaska, up the Yukon, etc. The penalty is increased to \$200. The penalty for the like offense imposed by the Canadian laws is \$400, and I respectfully suggest that the penalty proposed by this section may be increased to that maximum. In cases where this may seem excessive the Secretary of the Treasury has the power to mitigate it."

In further explanation of section 2, it was said in the report of the committee (Cong. Rec., 55th Cong., 2d sess., vol. 31, pt. 2, p. 1610) :

"The charges for landing from San Francisco, for instance, up the Yukon River will be from \$200 to \$250, and the Canadian vessels would be delighted to pay the United States \$2 for every violation of the law and take our passenger trade. * * * This law is absolutely necessary to enable American vessels to do any of the passenger traffic."

It is apparent from the language of the legislation and the reasons assigned for its enactment that it was intended to apply to domestic commerce between this and foreign countries. This view is in accord with an opinion prepared by Acting Attorney General Jenks and transmitted to the Secretary of the Treasury on September 4, 1886 (18 Op. A. G., 445). The facts there under consideration were that a number of passengers were taken on board a foreign vessel at Cleveland, Ohio; they there paid their fare to Windsor, Canada, and after arrival at that port again paid fare to Chicago, to which port they were transported on the same vessel. It was held that, in the spirit of section 8 of the act of June 19, 1886, the voyage was a continuous one and that the act applied. The transportation of the passengers between the ports of Cleveland and Chicago, via Windsor, Canada, was clearly domestic commerce and therefore fell within the terms as well as the spirit of the act.

The primary question now under consideration, therefore, is whether the transportation of passengers from New York on a tour of sightseeing around the world and to a port in California was domestic commerce, and I am of the opinion that it was not.

The object of this voyage was the landing of the vessel at numerous foreign ports, to enable the passengers to visit various points in different parts of the Old World which are of special interest to tourists, and the return of the passengers to the port in California was a mere incident to this object; and so far as the nature of the commerce was concerned it was precisely the same as if, after a voyage to Japan, they had been returned over the same route and re-landed in New York. If one should take passage on a vessel at New York, for Liverpool, and after transacting business in that city should again take passage on the same vessel on its return voyage and be landed in Boston, it certainly would not be insisted that the vessel would be subject to the penalty imposed by the statute; yet, in principle, no distinction can be seen between such a case and the facts now under consideration. In one instance the primary object would be to go to Liverpool on business and return to New York via Boston, while in the

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other the primary object was to visit various parts of the world on a pleasure tour and then return home via California.

These views are in accord with administrative action in similar cases. In 1902 an Assistant Secretary of the Treasury held in effect that the act of 1898 applied to a state of facts similar to those here presented, but in 1903 the Secretary of the Treasury directed that action be suspended if tourists landed at American ports, and it is understood that no penalty was thereafter imposed by either the Treasury Department or the Department of Commerce and Labor until the present case arose.

The only judicial construction of the law relating to passengers is apparently the decision in 1904 of the district court for the western district of Washington, in *United States v. The Foreign Steamer Princess Beatrice* (unreported), that the steamship was not liable to a penalty for bringing a passenger to Seattle from Victoria, British Columbia, where he had gone from Skagway, Alaska, on another foreign vessel.

I am of the opinion, therefore, that the tourists taken around the world on the German steamship *Cleveland* were not transported and landed in violation of section 8 of the act of June 19, 1886, as amended by the act of February 17, 1898.

Respectfully,

GEORGE W. WICKERSHAM,
Attorney General.

MEMO OF AUTHORITIES—ALASKA PART OF UNITED STATES.

No foreign vessel shall transport passengers between ports or places in the United States, either directly or by way of foreign port, under penalty of \$200 for each passenger so transported and landed. (Shipping act of 1886, 24 Stat., 81.)

The next section of the same act prohibits the hauling of merchandise in foreign ships between ports or places in the United States.

The territory ceded to the United States by Russia became a territory of the United States (37 Stat., 512), and subject to the laws of the United States. (Steamer *Couquillat*, 163 U. S., 348; Interstate Commerce Commission v. Humboldt, 224 U. S., 474.)

By the act of March 30, 1867 (15 Stat., 240), passed July 27, 1868, the laws of the United States relating to customs, commerce, and navigation were extended to and over all the mainland, islands, and waters of the territory ceded by the treaty with Russia March 30, 1867, since organized as the Territory of Alaska.

The coasting trade between the territory ceded to the United States by the Emperor of Russia and any other portion of the United States shall be regulated in accordance with the provisions of law applicable to such trade between any two great districts. (Rev. Stat., 4358; Comp. Stat., 8111, p. 8112.)

The five great districts include the entire coast of the mainland of the United States and Alaska and clearly bring Alaska within the prohibition of foreign vessels operating in the coasting trade. (Great districts defined, Rev. Stat., 348; Comp. Stat., 8100.)

See also Alaskan act, Aug. 24, 1912 (sec. 3530, Comp. Stat.).

The Constitution of the United States and all laws thereof which are not locally inapplicable shall have the same force and effect within the said Territory as elsewhere in the United States, etc.

The CHAIRMAN. The committee will hear Mr. Squiers next.

STATEMENT OF MR. ARNON L. SQUIERS, ATTORNEY AT LAW, NEW YORK.

Mr. SQUIERS. Mr. Chairman and gentlemen, I am an attorney and counselor at law; I am counsel for the John E. Moore Company of New York, and I am also here as a member of a joint committee representing the National Board of Steam Navigation, the New York Boat Owners' Association, and the Maritime Association.

Mr. Chairman, first I want to express to you my own appreciation and that of those who are with me for the courtesy on short notice

that you very kindly extended to us to appear before you and express our views upon some of the details—minor details, perhaps, so far as the bill itself is concerned, but important details to the interests we represent—to your committee in person, and it seems to us very desirable that it should be done.

At the outset, I simply desire to make a few preliminary remarks and then I shall introduce to the committee two or three speakers who will express their views on the physical conditions under which they operate, and they will also treat of their experience in their business, and similar conditions no doubt prevail to a more or less extent in other ports or harbors in the United States.

It is interesting, the importance of the port business in New York. It is phenomenal. The water frontage of New York harbor alone is 921 miles. The total water frontage of all the other principal ports of the United States is 668 miles, so that the total water frontage of all the ports outside of New York is only about two-thirds of the water frontage of the port of New York itself. I am also reliably informed—although I can not put my fingers upon the statistics at the moment—that to-day between 70 and 80 per cent of the foreign export business is done through the port of New York.

I have read this bill through—and of course with respect to any new legislation every man will place his own interpretation upon it—and I find for the most part that all interests are in favor of the creation of a shipping board, and the objective toward which we are moving, according to my picture of the bill, does not disturb any of the fundamental principles of the bill in any manner whatsoever.

I have read very carefully the majority report upon the bill by the committee in the House and to put it briefly, without going into details, I take it the purpose of the bill in a general way is this: The first chapter of the report deals with water carriers engaged in foreign commerce; the second chapter of the report deals with water carriers engaged in domestic commerce. The creation of the shipping board is for the purpose of acquiring detailed facts and information relating to the marine business both here and abroad for the advantage and for the purpose of Congress in enacting wise and expedient legislation, and also to regulate common carriers both in foreign and domestic commerce, so that there may be no vicious or iniquitous agreements that will be to the disadvantage of the public or individual shippers. I think I may say that that is the picture which your committee probably has, and the picture which the majority report indicates upon the bill in the House.

Now, just a preliminary remark in order to direct the attention of the committee to the part that I have in mind. In the first part of the bill, on the second page, which I have before me, where the definitions are given, I will read it:

The term "other persons subject to this act" means any person not included in the term "common carrier by water," carrying on the business of forwarding, ferrying, towing, or furnishing transfer, lighterage, wharfage, dock, warehouse, or other terminal facilities, in or in connection with a common carrier by water.

Now what we are asking for to-day is a modification of this bill by the elimination of the following language:

Forwarding, ferrying, towing, or furnishing transfer, lighterage.

The principal point that we are directing our attention to is the business of towing and lighterage.

The CHAIRMAN. What line do you begin with?

Mr. SQUIERS. I am reading from the majority report. It begins on page 2, line 13, of the report of the House committee. It is page 2, lines 11 to 16 of the bill. The paragraph in the majority report begins on line 13 of the report.

The CHAIRMAN. You said you wanted to strike out some phraseology which you specified?

Mr. SQUIERS. I want to strike out the language there which relates to towing and lighterage. I shall not at this time attempt to go into the details of the matter myself, because there are other gentlemen present who are doubtless more competent to do so.

Senator JONES. What is the amendment that you desire to that paragraph?

Mr. SQUIERS. It is simply to eliminate—

Senator JONES. Just give us your amendment specifically.

The CHAIRMAN. Read the words that you want eliminated.

Mr. SQUIERS. I have not drafted it as an amendment. I simply say that it seems to me the whole provision might well be left out, but so far as we are here in a representative capacity to-day, we are simply directing our attention to the towing and lighterage.

We would like to have it amended so that it would read as follows—I will read it again—with the elimination of those words:

Carrying on the business of wharfage, dock, warehouse, or other terminal facilities in or in connection with a common carrier by water.

Eliminating the intervening words.

The CHAIRMAN. That is, eliminating all the words before "wharfage"?

Mr. SQUIRES. Yes, sir, and after the word "of," line 13. Just before the word "forwarding" I would direct special attention of the committee to the two words "towing" and "lighterage." Those are the interests that we represent here to-day. The amendment would simply be a matter of elimination.

Now, with these preliminary remarks, I will introduce as the first speaker Mr. Eugene F. Moran, president of the Marine Towing & Transportation Co. and president of the National Board of Steam Navigation.

The CHAIRMAN. If you will excuse me, I would like to ask Mr. Squiers one other question. Do I understand you to say that you want to strike out the words "forwarding, ferrying, towing, or furnishing transfer, lighterage," or do you want to leave those and strike out the words "towing and lighterage?" Is that what I understand you to mean?

Mr. SQUIERS. Yes; but I think I would go further than that, according to my interpretation of the bill, and would strike out the following words: "Forwarding, ferrying, towing, or furnishing transfer, lighterage." Those are the words.

The CHAIRMAN. I understand you now. We will next hear Mr. Moran.

**STATEMENT OF MR. EUGENE F. MORAN, PRESIDENT OF THE
MARINE TOWING TRANSPORTATION CO., ALSO PRESIDENT OF
THE NATIONAL BOARD OF STEAM NAVIGATION.**

Mr. MORAN. Mr. Chairman and gentlemen, I wish to state that the National Board of Steam Navigation has gone on record as favoring the shipping bill, and I understand that we have forwarded a communication to this committee, or the committee of the House, rather, favoring the bill. But we have come down to-day, as suggested by Mr. Squiers, with the idea of explaining to the best of our ability why the matter of towage and lighterage should be eliminated from the bill.

In New York—and we speak more particularly about New York than any other section because we are familiar with that situation—as Mr. Squiers has stated, we have a coast line, that is, a line facing the water, of something between 950 and 1,000 miles. We have in New York from 8 to 10 trunk-line railroads running into the city, and we have something like between 250 and 300 different concerns, corporations and individuals, engaged in towage and transportation business.

The prevailing rate for lighterage in New York has been about 60 cents a ton, depending entirely upon the law of supply and demand. On cruder materials, such as ores and paint products and the like of that, and steel, perhaps, it may go a little lower. But we have had a condition in New York for the last year where it has been almost impossible to secure a rate for lighterage. Most of those having lighterage to do have gone to the open market and chartered the lighters per diem, and also arranged for the towage, because none of the lighterage concerns there have been able to keep up with that enormous demand.

In my particular line of business we operate 8 tugs and 53 scows and dumpers. Ninety per cent of our business has to do with the disposing of dredging and excavations—what I mean by that is that the Government will let a dredging job at competitive bidding to the lowest bidder on the contract. If they own and operate their own boats they set aside a portion of the rate per yard which they get for the tug and the disposition of the material. If they do not operate and own their own tug they go out into the open market. They ask those who are in the tug business to give them a rate and in that way 90 per cent—yes, I might say 95 per cent—of our towage is done, by competitive bidding. For that reason I do not think that any commission which may be selected would be in a position to put any rate on a towage proposition in and around New York.

The Government has let its dredging contracts throughout the country on bids. The lowest bidder comes to us and asks us for a rate for disposing of the material, for towing and furnishing boats to do away with it, and it is dependent entirely upon the law of supply and demand. The conditions under which we operate and under which the towage business is done, are governed entirely by the elements, and the conditions which exist very frequently in New York Harbor in the winter time are that we have had from two to three and four days at a time where the egress and ingress into the

slips has been impossible owing to the ice congestion. Take it, for instance, on the North River shore, from about Forty-second Street up as far as Yonkers, with a heavy northwest wind, with ebb tide setting down the ice holds on that shore. Or take it down at the Bush Terminals for example. There have been two or three days at a time when it would be impossible to get a tug boat with a lighter or ship into those slips.

Now, there is a condition where it would be very hard to place a rate. The condition that exists there now is that when somebody has a lighter to go in and out—and I speak now about the Bush concern more particularly—they go upon the market and get a tug by the hour. The prevailing rate has been \$10 an hour. Last winter it went up as high as \$15 and it was not everybody who would tackle it at that, because of the hazardous risk. I might say with respect to my business that it is without a doubt the most hazardous business that there is as compared with the returns that we get. Our business has increased and continues increasing. We might put a rate to-day on a class of work and the next week conditions would be entirely changed. I might say in illustration that the boats that we are operating to-day with 12 or 13 men, exactly that same type of boat, doing exactly the same class of work, we operated 10 years ago with 9 men. We have increased our increase in wages.

Senator LIPPITT. How many men do you have now?

Mr. MORAN. We run from 12 to 14 on what we call double crew tugs—that is operating 24 hours a day with men serving on 6-hour watches, except that the fire and deck crews work 8 hours, 4 on and 12 off. But it would be very hard to fix a rate. The railroads have a rate for through freight. They handle that themselves. It depends entirely upon what the market is. There is no fixed rate for handling coal from coal ports. They go into the market and get a boat to handle it for 18 cents a ton. Where boats are scarce, it will run up to 35 cents or 40 cents a ton. We have another condition in the towing business which has built up wonderfully in the last few years, and that is the shipping of oil from oil ports in New Jersey, Massachusetts, and Maine, and different points east. The process of doing that is that the barges, what are called tank barges, are loaded with oil. The oil companies owning the barges will go into the market and get a tug to tow it, and to-day they might get a figure for towing an oil barge—their class of oil barges from Bayonne to Portland, say, at \$800 for the round trip, and the next week they may have to pay \$1,500 for doing the same work. So the rates differ, the conditions vary, and it would be a very hard matter to place a hard and fast rule upon it or set any standardized rate upon it. It is entirely governed by the conditions, and, as I said before, it is governed entirely by the law of supply and demand. A railroad is a different proposition.

With regard to a railroad, it takes considerable money to secure the right of way, and also to get the equipment. In the towage and lighterage business anybody with three or four thousand dollars can start in, and that is the way most of them started, with one boat, and gradually work along, and by hard work and industry accumulate the others. As I said before, there are from 250 to 300 concerns, individuals and corporations and firms, engaged in the towage and

lighterage business around New York Harbor, and there is no chance for attempting any combination for the purpose of fixing rates.

There are a number of other gentlemen present who desire to speak, so I think I have said all that I care to.

The CHAIRMAN. You say that there is absolutely no combination, agreement, or understanding between the operators of those boats—those towboats in the harbor of New York?

Mr. MORAN. There is none that I know of, and I have been in the business nearly all my life. There are none that I know of.

The CHAIRMAN. They are in a state of active competition?

Mr. MORAN. Active competition.

The CHAIRMAN. Without any regulation of that competition?

Mr. MORAN. Absolutely nothing, only figures on the cost of operation and the time that it consumes. We have a class of boats in New York, some of them owned by individuals. For instance, the captain and engineer may get together and purchase a boat. Those boats would be what we used to call cruisers; they would cruise around the harbor in order to find a job, and before they could get it, for instance, a schooner would sail up off Red Hook through the gate—I mean Hell Gate—up through the sound. If there happened to be no boat approaching he would run the flag up on his rail. The first boat comes around and asks how much he will charge to take him through the gate. Some of them will say \$30. The captain of the schooner might say, "I will give you \$20," and they will haggle on the rate for half an hour and compromise for \$25. But if the captain of the schooner does not think he ought to pay \$25, and if the captain of the tug will not take him for less, the captain of the schooner is privileged to lay there and anchor until the next tide, or until some other boat would come along.

The CHAIRMAN. How would you be hurt, or anybody else be hurt if a maximum rate which was amply compensatory was established?

Mr. MORAN. I did not get that quite clearly.

The CHAIRMAN. I say how would you be hurt—how yould your company be hurt or any other operator be hurt—if the board was to establish a maximum rate that would be amply compensatory?

Mr. MORAN. Well, if there were a maximum rate, and if the maximum rate would compensate us, it would be all right. But to establish a rate and to get the zones in which that rate is to prevail, I do not see how it could be done. For instance, we have a boat loaded with coal at the Jersey City coal docks to go down to some point in Jamaica Bay. That is a large boat. I think the coast line or bay line is something—taking all the inundations and creeks into consideration—that figures up something like 200 miles. There are a good many of those creeks down there, and where you can only get in on high water it means that the captain of a boat leaving Jersey City, to carry his ebb tide down around Coney Island, will lose time in getting the boat on the rising tide and then going up on the rising high water on the creek where he would want to go. That would involve almost 12 or 13 hours of towing. Now, to get at that, to put the maximum on that—a maximum, for the matter of argument, of \$100 for that towage—that is, to take it down and back—you would also have to specify the tonnage of the boat, or the size of the boat, and the conditions under which it would have to be towed,

whether or not we would raft it down—it might be a matter of towing a number of them down—hanging on the ebb for some time until the next serving tide and then taking them in, or whether we would take them direct. It would mean something to the owner of the boat to take it down in the one tow and take it right direct to its destination, or whether or not we would raft them down—a number of them, say 8 or 10, saved to be towed down—and hang them up until the next day and then go on to their destination.

The rate would be governed by all of that. There is a great deal of detail to be worked out and so many different points that you have got to go into. Conditions are so different that I do not see how you are going to arrive at a maximum rate.

The CHAIRMAN. You said a little while ago, as I understood you, that sometimes you could employ one of these tug boats to make a trip from New York to Boston.

Mr. MORAN. To Portland or Boston.

The CHAIRMAN. For about \$800.

Mr. MORAN. Yes, sir.

The CHAIRMAN. And at another time you would have to pay \$1,500.

Mr. MORAN. Yes, sir.

The CHAIRMAN. Is \$800 reasonably compensatory?

Mr. MORAN. \$800 is a reasonable rate for the summer time—\$800 would be a reasonable rate.

The CHAIRMAN. Then \$1,500 would be an unreasonable rate?

Mr. MORAN. Not under certain conditions—not in the winter time. Take a day like this, for instance, when the weather conditions are fine we can go right into Portland or any of the Maine ports that are not at this time of the year congested with ice. We could go in and drop the tow and come right back again. In the winter time it might take us four or five days to go around the cape and get over the shoals. When we got in toward the main coast—in the river there—we might find ice conditions that would take us three or four days more. Taking that job in the winter time at \$1,500 is more or less of a gamble, because under ordinary conditions we could make a towage and save six days, while in the winter time, in getting around the shoals and cutting in, it might take us three or four days to get around and three or four days more to get into the harbor. All those conditions are to be taken into consideration.

The CHAIRMAN. I thought you said a little while ago that it depended entirely on the question of supply and demand.

Mr. MORAN. It does; and I will illustrate that to you. Suppose you want a barge taken to Portland, or any of those other eastern ports, and you want to get your shipment in, say it is oil, so as to be on the market in three or four days. You call up the various people engaged in the tug business and none of them have a boat. You come to me and I have a boat that I can divert to this particular job. It may be engaged in something else, but I can afford to let you have it. I will say to you, "I will take your barge down for \$1,500"—as a matter of illustration. You are anxious to get your oil on the market. You have already sold it for delivery at a certain time. I am taking my boat away from some other work and putting it on to your particular work. To do that I have to get extra compensation.

Senator LIPPITT. You say you have got to get it. You mean you would like to have it.

Mr. MORAN. I would like to have it, or I won't do it unless I do.

The CHAIRMAN. Have there been any increases in rates since the beginning of the war?

Mr. MORAN. In towage rates?

The CHAIRMAN. Yes.

Mr. MORAN. There has been some increases, yes; owing to the enormous increase in cost of operation. We had recently, in New York, an engineers' strike.

The CHAIRMAN. Has the only increase been such as was made necessary by the increase in cost of operation?

Mr. MORAN. Oh, no. We bought bituminous coal in New York up until the first—

The CHAIRMAN. That is connected with operation.

Mr. MORAN. Operation; yes, sir.

The CHAIRMAN. Now, is there any increase in the rates for the purpose of greater profit?

Mr. MORAN. Why, no; we are doing very well, but it is the whole increase. We have been able to pay our expenses. If you will permit me a moment I will just give you a few examples of the cost of operation and how it has increased since say the 1st of January. In the first place most of our coal contracts expired on the 1st of April. We had a contract with the North River Coal & Water Co. that supplies coal for \$3.25 a gross ton. After the 1st of April they would not renew that contract for less than \$3.65 a gross ton, and it was rather a favor on account of consuming so much coal that we got them to \$3.65.

Senator LIPPITT. What is a gross ton?

Mr. MORAN. Two thousand two hundred and forty pounds. Our firemen were increased from \$40 to \$50 and board. The deck hands were increased from \$40 to \$50 and \$65 and board. During the engineers' strike we increased the engineers from \$110 a month to \$125 and \$130 a month and board, and second engineers from \$70 to \$100 a month and board. The repairs, which enter very largely into our business, have increased, I am safe in saying, 40 per cent. Up until a few months ago the shipyards around New York were paying their carpenters from \$3.50 to \$3.75 for 8 hours. To-day they are paying them \$4.50 to \$5 for 8 hours. Boiler makers, who got from 40 cents to 45 cents an hour, get to-day 60 and 70 cents an hour for ordinary daywork. For night work it is tripled.

The CHAIRMAN. You say it is regulated by the law of supply and demand. What do you mean by that? Do you mean that where the supply of boats is somewhat inadequate to the business that the price goes up?

Mr. MORAN. No; I mean by that, say, I have four boats engaged in a certain line of business; I am using those four boats on the regular lines each day. I am doing the same amount of work. I have got those four boats chartered to this gentleman here [indicating], and that exhausts my supply. They are all engaged. He has got to use two more boats. He has got to go out in the market and get them. He can not come to me, as I contracted to deliver him four boats and I have done so. But he has to go to Tom Jones or anybody else. Tom Jones, for instance, has a boat of the same

class which I had chartered to him at \$10. Jones will say, "Yes; I have a boat here that I am holding for a certain purpose, but if you wish to take her I will let you have her for \$15 a day. You may take her or leave her." All I have to do or all that Jones has to do is to hold it a day or two and put it in ordinary work, and he gets \$10 or \$15, or whatever the prevailing rate is. It is all governed by the law of supply and demand. The rate on some will run from \$5 to \$15 a day for the class of boat that I speak of now—lighters and barges.

The CHAIRMAN. In other words, if there is suddenly a great increase in the volume of business, and the boats are somewhat inadequate to accommodate that business, then the customer must pay whatever—

Mr. MORAN. The prevailing rate.

The CHAIRMAN. Not the prevailing rate, but whatever the owner sees fit to charge them?

Mr. MORAN. Whatever he sees fit to charge them.

The CHAIRMAN. That is similar to the situation in this city with regard to the hackmen. The taxicab companies have a rate which they charge in ordinary times, but suppose the case of an immense gathering here, such as at the inauguration, when the city is full of people and the facilities of those companies are utterly inadequate to accommodate the people. Do you think it would be right to permit them in these circumstances to take advantage of that situation and charge any price they might see fit to charge because they have not enough vehicles to accommodate the demand?

Mr. MORAN. I think so, if the public are aware of what they have got to pay. If I want to ride down from here to the Willard Hotel, and go downstairs and ask a hackman how much he will take me down there for, if he says \$2, I may say, "It is too much; I will not pay it; I will walk." But if I get into a cab and when I get down to the Willard Hotel the cabman tells me it is \$2, then I am going to object to it and go to the proper authority to see whether or not the law does not regulate that.

The CHAIRMAN. We are simply undertaking to do what nearly every municipality in the country undertakes to do in the matter of regulating the price which the hackman or taxicab may charge.

Mr. MORAN. Yes.

The CHAIRMAN. And he is not permitted to charge any more than that, although there may be 20 men wanting the hack or cab at the same time.

Mr. MORAN. That is very true and we may at the same time have 20 men wanting to use our boats—all at the same time. But the condition about business, to regulate the rate, is that the demand and the supply will regulate it. The condition of the business, or the condition of the trade, in which a particular boat is going to be used will regulate the price. Then again we have another condition along the line of your argument about regulating the price of the taxicab. Take a boat in the coal trade in New York, for instance. We can charter a boat in New York at, say for \$10 a day—that is for use in the immediate harbor without going outside of the harbor line. Then somebody comes along and if we can not get the figure we think we ought to get, then we can put her in our Sound trade and get a few dollars more a day for the use of that same boat. But they all know

what they have got to pay. It is all done beforehand. There is an agreement entered into. The man using the boat knows just what he has got to pay. We know just the condition of the trade in which the boat is going, under which she is going to be operated, and there is a large open market there. There are perhaps today, as I said before, between 250 and 300 individuals, corporations, and firms engaged in the lighter transportation and towage business in New York. There is a fleet, I think I would be safe in saying, of all classes of vessels, of between four and five thousand; and when I speak of vessels I speak of tugs and barges and scows and the like of that. There is a large market, perhaps the largest in the world. As Mr. Squiers said, they control between 70 and 80 per cent of the exports and imports.

The CHAIRMAN. You are, in a sense, a public-utility service. I do not see that you have assigned any reason why the Government should not regulate your public-service charges as it regulates other public-service charges, except the suggestion that it might be very difficult for the board to fix and establish just rates.

Mr. MORAN. It is. The conditions are so varied.

Senator FLETCHER. The bill does not contemplate the board undertaking to do that, in the first instance. It contemplates that you people shall yourselves agree upon regulations and practices that would be uniform and reasonable, and then afterwards if the board should find that they are not reasonable but that they are unreasonable—whenever the board finds that any such regulation or practice as you establish is unjust or unreasonable—it then may determine and prescribe and order enforced a just and reasonable regulation or practice.

Mr. MORAN. Yes; that is very true, but, of course, I suppose the Interstate Commerce Commission has had the same condition to confront them; that is, if anybody comes along and wants, say 200 tons of material lightered from a Jersey point to a point on Long Island Sound, we give him a rate on it—a rate of \$1 a ton—which means \$200 to take it down there from Jersey. Another man comes along and has 25 tons. We give him a rate of, say 50 cents a ton, or 40 cents a ton. The first party will say: "Why do you charge me \$1 when you only charge so and so 40 or 50 cents?" Of course on 200 tons at 50 cents a ton we get \$100 for it, but on the 25 tons, for a dollar a ton, we get \$25.

Senator FLETCHER. Is your argument to the effect that it would be impossible to establish regulations or practices among yourselves?

Mr. MORAN. Well, as far as I know, I have never heard any complaint that the treatment which the shippers have received from the operators of towing and lighterage concerns in New York Harbor was anything but fair. In fact, I have been told by the operators of foreign vessels, and also of domestic vessels, that the rates of towage in New York Harbor were cheaper than in any other port in the world, which is a fact.

Senator FLETCHER. But in any case you would not be in danger of being disturbed?

Mr. MORAN. I might give you an illustration of that. I will not go any further than the Potomac here, around the Cape. A sailing vessel comes in and goes up to Baltimore, say, a vessel of 2,000 tons, her towage to Baltimore and up to Baltimore from the Cape would

run 2,000 tons, and take her run back it would run close to 2,000 tons. You have got 152 or 154 miles from the Capes for that same vessel to come into New York Harbor, and the distance from the harbor to the lightship is only 22 miles. That ship may be towed up into the the harbor, anchored and docked anywhere for from \$40 to \$50.

Senator LIPPITT. Why is that?

Mr. MORAN. On account of these independent towing vessels. They are what I referred to before as these cruising boats; they go out, as I might illustrate, just like a cruising hack on Pennsylvania Avenue here.

Senator LIPPITT. Supposing that cruiser comes along and she wants a tow and there is a towboat that comes up and proposes a price to her, and supposing another towboat about half a mile away was coming, it would be a good deal easier to get a moderate tow rate with that other towboat right in sight than if there was not one, would it not?

Mr. MORAN. I might say, Senator, that this condition prevails at Sandy Hook—there are about half a dozen boats out there all waiting for a tow. If the wind happens to be fair and with a fair tide that fellow will sail her independently; he has got a fine channel well buoyed, just like going up and down Pennsylvania Avenue, with a fair tide and wind he can come right up without depending on a towboat.

Senator FLETCHER. You do not have any compulsory pilotage at that port?

Mr. MORAN. You have got to take a pilot, but that is not applied to our coasting vessels. It is compulsory as to foreign vessels. We have not got it under the same conditions as prevail south of Cape Henry, where they have compulsory pilotage on most everything that goes in, but in New York they do not enforce it on coasting vessels, American bottoms.

Senator JONES. Is there any compulsory towage?

Mr. MORAN. No; unfortunately not.

Senator LIPPITT. You say the association you represent is in favor of this bill?

Mr. MORAN. Yes, sir.

Senator LIPPITT. For what reasons are you in favor of it?

Mr. MORAN. We think that the shipping ought to be regulated. We think there ought to be a commission to regulate it.

Senator LIPPITT. You are in favor of the board, practically.

Mr. MORAN. Yes; certainly.

Senator LIPPITT. Are you in favor of the expenditure of \$50,000,000 for the Government to go into the shipping business itself?

Mr. MORAN. Personally, no.

Senator LIPPITT. Is your organization in favor of it?

Mr. MORAN. They have gone on record as being opposed to Government ownership?

Senator LIPPITT. When you say you are in favor of the bill, what do you mean?

Mr. MORAN. What that exception.

Senator LIPPITT. With the exception of certain features of it?

Mr. MORAN. Yes, sir.

Senator LIPPITT. You say you are in favor of the regulation of rates by this shipping bill?

Mr. MORAN. Well, the shipping bill as a bill. As far as the rates, I am not in a position to argue on that. I am not a steamship owner or operator. I merely operate towboats.

Senator LIPPITT. You say you are in favor of the bill, do you not? I am trying to find out.

Mr. MORAN. Yes; I am in favor of this bill in this respect, that I think we ought to have a commission which would take over to a certain extent the powers which are now conferred on the Steamboat Inspection Bureau. I think this commission ought to make a study of the conditions under which our merchant marine is operated, and, if after a careful study and going into the details of that operation, if they can come here and show us where it is going to be a benefit for the Government to own and operate these vessels, why, I think they are going to accomplish a great deal. I do not doubt it is going to come, perhaps it will come, but I am never in favor of the Government going in competition with a corporation.

Senator LIPPITT. You are in favor, then, of having a commission to investigate?

Mr. MORAN. I certainly am.

Senator LIPPITT. Are you in favor of having a commission with powers such as are given in this bill to regulate rates under certain conditions?

Mr. MORAN. I think under conditions I would be.

Senator LIPPITT. You think, take the competitive shipping—

Mr. MORAN. Yes; I think so. Of course, you all know you have had an investigation here covering two years on the so-called compact, I suppose it is, between the interocean and the so-called coastwise trades. Of course the hearing brought out a whole lot.

Senator LIPPITT. What was that? I did not understand you.

Mr. MORAN. The investigation you had—namely, of the alleged compact between the trans-Atlantic shippers or owners and operators of vessels; also the coastwise vessels. I think there must be something in that that would bear investigation, but I am not prepared to state whether—

Senator LIPPITT. Are you in favor of the commission for the purpose of investigating that or are you in favor of a board with powers to investigate?

Mr. MORAN. I am.

Senator LIPPITT. Which?

Mr. MORAN. With broad powers of investigation, investigation and regulation, I will put it that way.

Senator LIPPITT. Then you think that the commission ought also to have control of the tramp business?

Mr. MORAN. I do not see how they could do it. The tramp is here to-day and gone to-morrow. He is operating under a foreign flag and is practically under no jurisdiction only such as our steamboat-inspection laws give the inspectors the power to go aboard and look them over.

Senator LIPPITT. If there was a combination or a compact, as you call it, between these steamship lines, would you then be in favor of a board regulating the rates?

Mr. MORAN. I would; yes; to a certain extent.

Senator LIPPITT. Then, applying it to your own business in New York Harbor, which you have described, that is a trade as great as some of this foreign business?

Mr. MORAN. I think it is.

Senator LIPPITT. If you are in favor of this shipping board regulating the rates of other shipping companies in New York Harbor where there is no pact, why can you stand here and argue against the same board regulating your individual branch of the business?

Mr. MORAN. Conditions are entirely different.

Senator LIPPITT. You say your conditions are regulated by supply and demand?

Mr. MORAN. Yes, sir.

Senator LIPPITT. Sometimes you get one rate and sometimes you ask nearly twice as much?

Mr. MORAN. Yes, sir.

Senator LIPPITT. Those same conditions apply to all the shipping that goes in and out of New York Harbor, do they not?

Mr. MORAN. No, sir; I might say this: Take the regulation of the coast freight rate—for instance, take it in Savannah—you have got a line running, one line running into Jacksonville, one line running into New Orleans, two lines running into Galveston. There are four ports. Three out of the four you have only got one line running into them. Naturally they can make a rate that may be arbitrary. When you know the distance from New York, Jacksonville, or Galveston, when you know the capacity of the vessel and the class of goods that she carries—in New York Harbor you have got between 250 and 300 different ones carrying all classes of goods from coal to the most perishable freight, operating under all conditions of tide and wind and weather—

Senator LIPPITT. You mean regulation of one would be a little easier and simpler than the other?

Mr. MORAN. It would be a simpler proposition.

Senator LIPPITT. But the purpose of regulation is to avoid unjust charges, is it not?

Mr. MORAN. Yes, sir; that is as I understand it.

Senator LIPPITT. Why, if it is necessary to have regulation to avoid unjust charges in one case and you are in favor of it, why can you oppose the regulation of unjust charges in your own particular class of business?

Mr. MORAN. Because the condition of the business is entirely different. It is an entirely different proposition.

Senator LIPPITT. You mean it is a little more difficult to do it?

Mr. MORAN. It is difficult.

Senator LIPPITT. Not merely because it is difficult, if the charges are unjust there is no reason why they should not be regulated, is there?

Mr. MORAN. Yes; but so far as I know our complaint is that the charge is not high enough.

Senator LIPPITT. I know, but some people who hire these tow boats might have different views?

Mr. MORAN. We have not heard of them.

Senator LIPPITT. Well, I have.

Mr. MORAN. We have not heard of them about New York.

Senator LIPPITT. I am trying to get at the inconsistency of your proposition. It seems to me rather inconsistent for you gentlemen to come down here and say you are in favor of regulation of shipping except your own particular branch of shipping.

Mr. MORAN. Why, it can be regulated; yes.

Senator LIPPITT. Where it can not be—you say it is difficult—but I do not see the difficulty in applying the maximum rate to what you could charge under certain conditions. For instance, take the question of towing a schooner up from Sandy Hook in the summer time, there could be a rate made of whatever would be fair, say \$40, and that be the maximum rate?

Mr. MORAN. Yes; but—

Senator LIPPITT. Then when a tow boat comes down and there is no other tow boat in sight and he attempts to charge that captain \$50, as he frequently does, that would be a proper regulation of it according to your theory?

Mr. MORAN. Then you have got in that particular the towage. Take a schooner, put a maximum rate of which you would have to start in from No. 1, say a schooner running from 300 to 400 tons, so much money. A schooner running 500 to 600 tons, so much money; also you have got to consider whether that schooner wants to come up with the ebb tide running and a northwest wind blowing, or whether he wants to wait there until the wind and tide favor him, and the captain of the tug would say, "Here, I will tow you up for \$50." "All right, give me a hawser." The captain of the tug would reply, "No, I will not tow you up now; I will wait until the tide slacks and the wind moderates." That might be to-day or to-morrow. In the meantime the cargo of that schooner is worth, as conditions are today, say \$250 to \$300 a day for the vessel. Now there is a condition that enters very largely into your maximum rate, I lay by him and tow him up to-day or to-morrow. Another fellow may come along and the owner may say to him, "Captain, what will you tow me for?" He may reply, "I will tow you up for \$100 and I will take you right away." "All right," the captain of the schooner will say, "I want to get in and get rid of this cargo. I will give you \$100 to tow me up." Do you not think there is a condition that warrants there should be some elasticity to any rule or rate you may make?

Senator LIPPITT. But do not the same conditions, for instance, prevail to-day in the foreign trade? Suppose I have my cargo in the dock at New York and a steamer is starting off that can take 200 more tons, all she can take, and there are 1,000 tons there that want to go, and the rate on that is \$5 a ton. We will say to the captain of that schooner or the manager of that schooner, "I am very anxious to have this cargo taken abroad, and I will give you \$10 if you will give me that 200 tonnage space." The condition there is exactly similar.

Mr. MORAN. I still maintain there should be some regulation. My argument is how are you going to regulate and take into consideration all these different conditions which are going to prevail, particularly around New York?

Senator LIPPITT. I do not deny the difficulty of regulating your rates; I am only trying to find out why you favor regulating others and do not want to apply this proposition to your own business.

Mr. MORAN. It is the conditions under which we work. I say, take a foreign bottom, as was shown by your illustration just now. I do not see why, if a man has 200 tons of cargo to go in a tramp ship and the captain should say, "I will take the chance and crowd a little more on"—

Senator LIPPITT. Suppose it is in a regular liner?

Mr. MORAN. Well, in a regular trans-Atlantic liner. Of course that is governed entirely by the agents of the ship to a certain extent, whether that ship wants to take this 200 tons at \$10 a ton when the prevailing rate is \$5. Do you not think they are entitled to get it?

Senator LIPPITT. That is what this bill is proposing to prevent.

Senator JONES. I understood you to say you did not think they ought to get it.

Senator LIPPITT. If you favor a regulation preventing them from doing that in the trans-Atlantic trade why do you object in your own case?

Mr. MORAN. I am in favor of regulations. I think a shipping board should be created for the purpose of studying these conditions.

Senator LIPPITT. Studying and regulating the different things?

Mr. MORAN. And regulating after careful study. Of course you have got to creep before you jump.

Senator JONES. You are willing that this board should study your conditions and, after it reaches a conclusion, regulate?

Mr. MORAN. Yes; but I say you have got a rather difficult job to get at all the conditions under which we operate.

Senator JONES. It is rather a small territory in there, is it not?

Mr. MORAN. Yes; but, as I said before, one of the latest reports shows 88 per cent exports and imports of the country went through New York Harbor in the last year.

Senator JONES. It is concentrated much more and easier to investigate where they are in small space—small territory—than when they are spread all over the country, is it not?

Mr. MORAN. Of course, spreading it all over the country—I might say, take on some of our southern rivers, take it along the Ohio River, where you take ships going out from Pittsburgh down through the Monongahela, and say the rate down there is 50 cents a ton between certain zones, and I got 50 tons of coal, say, for illustration, to go from one point on one side of the river to a point 10 or 15 miles down, which, to get it there, must be water borne, because there is no rail connection. Is there any reason in the world why I should take a shipment of 25 tons at 50 cents a ton when I can take 1,000 tons at the same rate?

Senator LIPPITT. What you really believe, as I understand you, so far as the towing and the lighterage trade business around New York is concerned, it is more satisfactory and will be more satisfactory to both the owners of the vessels and the users of the vessels if the present condition of regulation by competition is left intact?

Mr. MORAN. I think so, Senator.

Senator LIPPITT. If that is so, why is it not equally true of the foreign shipping out of New York?

Mr. MORAN. Because this shipping commission is being created on account of complaints made against an alleged combination of steamship owners and operators. I have yet to hear of any complaint about the towage and lighterage charges in New York being excessive, and when that condition comes we are willing to come down here and confer with you gentlemen and let you put the maximum rate or the minimum rate on our charges.

Senator LIPPITT. I think, Mr. Moran, what you say about the general situation is true as regards New York Harbor—that the rates are reasonable as a rule and the service is efficient as a rule.

Mr. MORAN. It has got to be.

Senator LIPPITT. And then there is large competition there. I know that those things are true, nevertheless there are individual cases that occur once in a while where a towboat man has a vessel to a certain extent at his mercy, because there does not happen to be another towboat in the vicinity at the time, and he is able to charge some little excessive rate—\$5, \$10, or \$15, or more. You know that those cases occur, do you not?

Mr. MORAN. Certainly I do.

Senator LIPPITT. You know every time a vessel comes in there the captain of the vessel and the captain of the towboat get over the respective rails of the vessels and argue with each other as to how much is going to be paid?

Mr. MORAN. Yes, sir.

Senator LIPPITT. And they sometimes spend half an hour and sometimes half a day doing it?

Mr. MORAN. Very true; and they expend a lot of language.

Senator LIPPITT. Spend a lot of very vigorous language at times?

Mr. MORAN. Yes; that is true.

Senator LIPPITT. Now, there is a condition—I think, if it is going to be the practice of the Government to regulate shipping, that they might perhaps just as well regulate that part of the shipping in New York Harbor as elsewhere.

Mr. MORAN. As I understand, this act grows from complaints made against the operators and owners of steamships. Now, you gentlemen have got a bill here to govern that. You have had no complaint about the towage, but you put a bill through and get us out—

Senator LIPPITT. I think you are about in the position of a great many people who come down here—they are very glad to have somebody else regulated but do not wish to be regulated themselves; you do not wish to be regulated yourself.

Mr. MORAN. No; if you have any complaints that our charges are excessive and that this can be done like the regulating of your hacks down here in Washington between certain zones, or between—so much a mile. It is an easy thing to put a rate on whether you carry two men or four men, but it is a hard thing to know whether you are going to tow a boat in a fog, mist, heavy rain, or a snowstorm, where there is a great element of danger and hazard that enters into the operation. You ought to be compensated for the risk you take. If you have got a boat loaded, say, at one of the steamship piers at New York and you want to transfer it down to Staten Island somewhere, it is very important that the freight gets down to meet any outgoing ship, where you have elements of risk, hazard,

etc., to undertake that towage, do you not think the man ought to be compensated for the risk he assumes?

Senator LIPPITT. Yes; I think there ought to be varying rates for varying conditions and circumstances.

Mr. MORAN. That is our argument.

Senator LIPPITT. Your argument is that because it is difficult in your particular case, and because you are satisfied and your customers are, the Government should keep its hands off, but you say the Government should put its hands on in other cases where people are just as reluctant to do it as you are.

Mr. MORAN. There is no doubt of it, but the conditions which prevail and under which we operate are such that when a man calls me to know what I will transfer a certain amount of freight to-day for, I have got a boat there, I can do it to-day. He then says, "Well, I guess I will not ship that to-day," but he calls up next week. Next week sets in cold, stormy, snowing perhaps, and it is very hard to get laborers to go out and work. I may perhaps have to pay my laborers a little more money. We can not regulate the price of labor. We can not regulate the conditions under which we work and they change.

Senator LIPPITT. You pay the laborers on your boat a different rate whether it snows or not, do you?

Mr. MORAN. No, sir; I am speaking, as you will understand, where we have got to handle off a dock and handle back on the dock.

Senator JONES. Does not shipping generally have those same conditions only in a different degree?

Mr. MORAN. Shipping does to a certain extent.

Senator JONES. But you are in favor of their regulation?

Mr. MORAN. I think it should be regulated. I do not deny that it should be regulated to a certain extent, but I do not see how you are going to do it.

The CHAIRMAN. Mr. Moran, your contention is that in New York harbor the rates charged are fair and reasonable. Do you undertake to say that that same condition exists in all the harbors of the United States?

Mr. MORAN. I am not prepared to say. I only know of New York.

The CHAIRMAN. You say you are opposed to Government ownership of water carriers?

Mr. MORAN. Yes, sir.

The CHAIRMAN. Have you any objection to the Government constructing or buying \$50,000,000 worth of ships and leasing them, chartering them, or selling them?

Mr. MORAN. Absolutely none. No; I think it would be a good thing.

The CHAIRMAN. Your opposition is altogether to the proposition that it might, under certain conditions, operate—

Mr. MORAN. It might operate and compete with private ownership. We have a very apt illustration where the city of New York went into the ferry business. The city owned and operated ferries, and they operated that ferry the first year at a loss of \$1,800,000, whereas the company that had it before with an adequate outfit managed to make a little money.

Senator LIPPITT. Do you think it is a good thing for the Government of the United States to go into the shipping business and lose that same rate on an investment of \$50,000,000?

Mr. MORAN. No; I do not see how the Government is going to lose it if it is going to build ships and lease or charter them.

Senator LIPPITT. Do you think that it is a good thing that the Government should go ahead and build a lot of tow boats and lighterage boats to use in New York Harbor?

Mr. MORAN. I certainly do under the same conditions as the Senator (Simmons) asked—to build them but not to operate them.

Senator LIPPITT. Then, you would be in favor of putting in this bill a provision that \$50,000,000, or some portion of it, was going to be used for the purpose of creating a towing and lighterage fleet in New York Harbor?

Mr. MORAN. I should like to see them do it.

Senator LIPPITT. What do you mean by that?

Mr. MORAN. I do not think the Government can compete with us.

Senator LIPPITT. Then, why are you in favor of their competing with other people in shipping?

Mr. MORAN. The chairman asked me if I believed in the Government building ships but not operating them. Is that your question?

The CHAIRMAN. You first said you were opposed to operation; then I asked you if you had objection to the Government building and leasing vessels.

Mr. MORAN. And I said no.

The CHAIRMAN. Yes.

Senator LIPPITT. Are you, then, in favor of the Government building lighters and tow boats to be used in New York Harbor?

Mr. MORAN. And leasing them; yes, sir.

Senator LIPPITT. You are in favor of that?

Mr. MORAN. Yes, sir; and I will tell you why I am. It would give lots of people a chance to get in. Take under the present conditions it is almost prohibitive to start and build tow boats and lighters. In the first place, there are no shipyards around New York that would undertake the building of them at the present time.

Senator LIPPITT. Are there any of them that would undertake the building of them for the Government at the present time?

Mr. MORAN. They would at a price, I suppose.

Senator LIPPITT. Would they not for you at a price?

Mr. MORAN. We could not afford to pay the price the Government would pay.

Senator LIPPITT. You mean it would be all right for the Government to tax you, take your money and spend it for lighters and tow-boats at a price that you would not individually be willing to pay?

Mr. MORAN. Certainly. That is the same thing as a ship. They build a ship and then it is open for the highest bidder to charter, run, and operate. I suppose if that condition does come around, that it will be open to competitive bidding. I do not know. I can not say as to that. But I think this means the merchant marine, and if the United States Government is willing to pay or expend \$50,000,000 for the purpose of increasing our tonnage and then let it out to the highest bidder for operation, I am heartily in favor of it.

Senaor LIPPITT. And are you heartily in favor of a part of the money being expended for tugboats and lighters?

Mr. MORAN. I have absolutely no objection.

Senator JONES. Are there any of the transportation lines coming into New York that operate towboats in connection with their business?

Mr. MORAN. Yes, sir.

Senator JONES. Should that not be regulated in connection with the regulation of the transportation lines?

Mr. MORAN. Of course, they have a certain way of operating. I mean by that this: That in the operation of their tugs and lighters if they meet with a loss, they can charge it against their general shipping business.

Senator JONES. Are there any of the shipping companies that operate in that harbor that operate towage and lighterage in connection with their lines?

Mr. MORAN. None of the large shippers that I am aware of. The steamship people do that. There are none of the large shippers that I am aware of.

Senator JONES. You say the large shippers?

Mr. MORAN. That is the question.

Senator JONES. No; the question was the shipping lines.

Mr. MORAN. Oh, yes.

Senator JONES. They have their own lighters?

Mr. MORAN. They own tugs and lighters; yes. The Ward Line has got quite a fleet of them.

Senator JONES. You would not object to their being regulated?

Mr. MORAN. Not if you could do it.

Senator JONES. Do you not think they ought to be regulated in connection with the regulation of their shipping lines?

Mr. MORAN. As I said before, they can regulate it and operate their boats at a loss; but, of course, they have the privilege and can do it. It is only a matter of bookkeeping with them as to where they are going to charge this loss off. We have no large steamship line—

Senator JONES. Is that not an additional reason why there should be some regulation over them and their lighterage work?

Mr. MORAN. Well, if you could do it, if you could see any fair way to do it. Now, the tugs and lighters operated by these steamship people have a certain thing to do. They have their certain points to go there. As a matter of illustration, the Hamburg-American Line comes in, or the Ward Line, for instance, comes in with cotton, for the American Storage & Warehouse Co. at Staten Island. It is to go to the end of the piers at the Atlantic Dock. They make their rate from the South for delivery of that cotton at a certain point. It is just a question with them whether they will deliver the steamship at a point and discharge the cargo there or take the steamship to the dock and lighter it there.

Senator FLETCHER. They only use their lighters in their own business?

Mr. MORAN. Only in their own business. They do not compete with us at all. It is merely a matter of accommodation.

Senator JONES. What proportion of your business is done in connection with foreign commerce?

Mr. MORAN. My particular business, very little. My particular business, 90 per cent or more of my business has to do with the disposing of excavations, that is, drains, excavations under subways in New York and the like of that.

Senator LIPPITT. But taking the whole towage and lighterage business in New York Harbor it has largely to do with—

Mr. MORAN. With foreign and domestic commerce, both export and import, I should judge 60 per cent at least; maybe more than that.

Senator JONES. How much of that is in connection with the foreign commerce?

Mr. MORAN. Well, at the present time, I should say under present conditions, that of that 60 per cent that has to do with import and export, I should say at the present time there must be fully 70 per cent of it.

Senator JONES. Import and export; that is all foreign?

Mr. MORAN. Yes, sir; I mean as against our coastwise shipping. That is what I referred more particularly to, and outgoing and incoming freight. I should judge at the present time it would be at least 75 per cent of the lighterage, perhaps more, in connection with the import and export trade.

Senator JONES. That is in connection with the foreign trade?

Mr. MORAN. Yes, sir.

Senator LIPPITT. You mean coastwise as well as foreign?

Mr. MORAN. No, sir; just foreign trade. You see most of the ships and everything else—

Senator JONES. How much?

Mr. MORAN. I am not prepared, you understand. I should say 75 per cent.

Senator JONES. I understand; you are just making an estimate?

Mr. MORAN. That is my estimate. Some other gentleman here may say it is more and some may say it is less.

Senator JONES. How much of that do you think is done by lighterage independent of the regular transportation companies, either ships or railroads?

Mr. MORAN. Oh, I would not say independent companies. Exclusive of the railroads?

Senator JONES. Exclusive of the railroads and the regular shipping lines?

Mr. MORAN. I should say by the regular lighterage and towage lines that perhaps one-half is handled; that is, excluding the railroads; that is, independent lines. I should say half, if not more than half.

Senator JONES. Is done by lighterage companies that are not auxiliary or subsidiary companies of a railroad or shipping line?

Mr. MORAN. Exactly. I should judge about one-half.

Senator JONES. About how much of the other half is done by companies that are part of railroads—of railroad lines?

Mr. MORAN. I should say of the other 50 per cent that the railroads handle perhaps 40 per cent and the steamship people probably 10 per cent. I should judge the railroads handle fully 40 per cent and the steamship companies 10 per cent.

Mr. SQUIERS. Mr. Chairman, we have two others here who represent different phases of this question. I hope that we can have them heard. Our speakers will not take more than 10 or 15 minutes each.

We want Mr. Cleary and Commodore Dalzell to be heard by the committee on points which have come up and which have been before the Congress. I understood the chairman to say that the committee could only hold a session until 12 o'clock to-day.

The CHAIRMAN. The Senate meets at 12 o'clock. I had reference to that when I made that statement. I do not see any reason why we can not hear these gentlemen a little later in the day.

Mr. SQUIERS. Senator Lippitt has asked some questions here and raised some points. I understand he can not be here this afternoon.

The CHAIRMAN. Yes; he can be here at 2 o'clock.

Senator LIPPITT. I will be here at 2 o'clock.

(Subsequently the chairman submitted the following letter from Mr. Moran, which was ordered printed in the record, as follows:)

NATIONAL BOARD OF STEAM NAVIGATION,
New York, June 21, 1916.

Hon. F. M. SIMMONS,

Chairman Subcommittee of Senate

Commerce Committee, Washington, D. C.

DEAR SIR: In appearing before your committee at the hearing yesterday on H. R. 15455, I stated to the committee that the National Board of Steam Navigation had gone on record as favoring certain features of the bill. On my return to New York this a. m., I find, on looking into the matter, that, to the contrary, the National Board of Steam Navigation is on record as opposing the passage of the entire bill, and I inclose herewith copy of protest sent to the Senate and House of Representatives in reference to same, dated January 25, 1915, and I would consider it a great favor, in order to have the record correct, if you would include in the record a copy of the inclosed protest.

I might also add that during the past 24 hours I have given considerable thought and study to that feature of the bill which regulates trans-Atlantic and coastwise shipping rates, and the more I consider same the more I am convinced that the difficulty of fixing rates on trans-Atlantic and coastwise shipping would be just as difficult as that of fixing a rate for harbor towage and lighterage.

I am inclosing a copy of the protest to each of the members of the subcommittee, dated January 25, 1915, and the association has found no reason for changing its opinion since, and is still opposed to the passage of the entire bill.

Respectfully,

EUGENE F. MORAN, President.

PROTEST AGAINST THE PASSAGE OF BILL H. R. 18666, PROVIDING FOR THE GOVERNMENT OWNERSHIP AND OPERATION OF MERCHANT VESSELS IN THE FOREIGN TRADE OF THE UNITED STATES.

To the Senate and House of Representatives of the United States in Congress assembled:

GENTLEMEN: This memorial of the National Board of Steam Navigation respectfully represents:

That a bill (H. R. 18666) providing for Government ownership and operation of merchant vessels in the foreign trade of the United States is pending in the Congress of the United States.

That by the provisions of the bill a shipping board, composed of the Secretary of the Treasury, the Postmaster General, and the Secretary of Commerce, may subscribe to the capital stock of any corporation now or hereafter organized under the laws of the United States or of any State thereof or of the District of Columbia, for the purpose of purchasing, constructing, maintaining, and operating merchant vessels in the trade between the Atlantic, Gulf, or Pacific ports of the United States and the ports of Central and South America and elsewhere, to meet the requirements of the commerce of the United States.

That question is raised as to whether this proposed legislative action by the Government of the United States is justifiable and technically right, while the real question at issue is whether in the present emergency it is either necessary or advisable.

That the advocates of the measure advanced the theory that shipping facilities for the transportation of our exports abroad under existing conditions are inadequate, but appear not to accept the testimony of experienced and practical men that the present situation is due mainly, not to any extensive lack of vessels, but to the present unstable foreign-exchange operations, scarcity of foreign labor for handling commerce, and particularly to the high cost of marine insurance, and that with relief in these directions greater activity will follow and the present and future requirements of commerce amply met by private enterprise.

That from an investment standpoint it could not be expected to appeal to the public. Although the men selected for the posts of Secretary of the Treasury, Postmaster General, and Secretary of Commerce are of the highest mental and moral attainments, it is not probable that they would be chosen especially because they were experienced in the ownership and operation of merchant vessels, to be successful in which requires long years of training and an intimate knowledge of every detail of the business.

That under our system of Government the personnel of these offices, with rare exception, changes every four years. It is not likely, therefore, that with such a flexible and uncertain management the public could even be tempted to invest its capital in an enterprise in the control of which it can for all time hold only a minority representation.

That if this conclusion be well founded the proposed legislation would place the Government in direct and complete competition with a large number of our citizens who, with investments of many millions of dollars, are engaged in a business essentially private in character and readily controllable both by competition and governmental regulation.

No private enterprise, however capable and economically administered, where the management is accountable to its stockholders, can compete with the Government in the same industry, where there is no such accountability.

That under the terms of legislation recently enacted by Congress, providing for the transfer of foreign-built vessels to American registry, with necessary revision of our navigation laws to enable us to compete on equal terms with foreign shipping, instant impetus and a steady, wholesome growth should be given to our merchant marine, which, however, could not survive against Government competition.

The effect of this legislation should be fully demonstrated before any other is undertaken.

That in dealing with this important subject the neutrality obligations of the United States should be seriously considered and any ground for criticism or even suspicion of our good faith avoided.

That we strongly advocate the upbuilding of the merchant marine of the United States, and regard the provisions of H. R. 18666 as dangerous in the extreme, and are of the opinion that the ownership and operation by the Government of merchant vessels is a backward rather than a forward step, and will not only discourage, but destroy all private initiative in the direction so earnestly desired.

For these reasons we urgently protest against the proposed measure being enacted into law.

NATIONAL BOARD OF STEAM NAVIGATION,
EUGENE F. MORAN, President.

Attest:

N. L. CULLIN, Secretary.

NEW YORK, N. Y., January 25, 1915.

(Thereupon, at 12 o'clock m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

(At 2 o'clock p. m. the committee reassembled, pursuant to the taking of the recess.)

Mr. SQUIERS. The next speaker will be Mr. William E. Cleary, director New York Board of Trade and Transportation; also a member of the firm of Cleary Brothers, operating in New York Harbor.

STATEMENT OF MR. WILLIAM E. CLEARY, NEW YORK CITY.

Mr. CLEARY. Mr. Chairman and gentlemen: I will not detain you long. I wish to say only a few words. I might say in strating, to show perhaps my justification for appearing here, that I have been all my life, at least the last 40 years, engaged in water transportation. I have been president of the Canal Boat Owners' Association away back in 1882, then in 1883 and 1884. I was the agent of the Boat Men's Organization in carrying stuff on the Erie and Champlain Canals. During that time I built up for myself a harbor transportation business. We bought boats little by little as we could, and today I am quite interested in scows and barges of various kinds.

There was a thing which occurred to me when Mr. Moran was talking with reference to these barges and what they get, and whether they should be regulated. Take our own case, for instance; take two phases of it. Mr. Gallagher is in the sand and gravel business and he knows that last year we had a sand bank leased down there and we were in it also. We had about 40 scows running sand and gravel.

Now here is a case wherein the elasticity of prices for barges is illustrated. We gave up our sand business for the time being this year, because there was a demand for that kind of craft taking stuff from railroads and delivering it to vessels and warehouses and so on around the city; and then there comes a demand of that character for the craft that are available. In other words, if the price may be made a little extra in order to induce people to go from one kind of traffic to another, why, where you are not bound by any tariffs, you may accommodate the public that needs you; and now it is not necessary for us to stay in that business, Gallagher and Rose here and the Phoenix Company and other companies can get a good deal more supplying New York Harbor. We were sort of competing with each other, but none of us working full capacity, because there were too many of us in it. So when the demand came for the extra scows in New York Harbor, I was able to immediately divert all my scows from that business and put them into the general lighterage business in New York Harbor to help that much.

That same thing applied in another case of our barges. We own 40 of these scows, and own about as many more boats used for lightering, principally coal, but they may be diverted from coal into other things when there is more demand in the other things, so we took a lot of our coal barges and took them to a dry-dock, lined them, put hatches on them, and prepared them for grain and general dry-goods trade, principally for the railroads lightering from vessels and so on wherever they were wanted.

There is a case. We would not have gone to the great expense, amounting to several hundred dollars for each boat; in fact, I expect it amounted to \$500 to \$800 to make some of them fit for this work—we would not have done that unless there was an extra demand for that kind of craft in that kind of business.

Senator JONES. Do you think this bill would prevent your doing those things?

Mr. CLEARY. The thing my attention has been called to in the bill is that if there is a regular rate made they can get only so much for

it, why, of course, we could not accept any more than so much, and for that reason we could not afford to rebuild our boats to fit them for another business unless it paid best. That is the point to be made there.

The CHAIRMAN. We shall have to ask you to suspend until we can answer a call for a quorum.

Thereupon the committee took a recess for 10 minutes.

At the expiration of the recess the committee reassembled.

The CHAIRMAN. You may proceed, Mr. Cleary.

Mr. CLEARY. Following that same line, I think I have said in the beginning I have long been interested in the State canals, and I spent a good deal of my time in trying to get the New York bills through the legislature for the improvement of the canals, and I represented the individual boatmen in securing freight for them at New York. We had an agent at Buffalo also. Speaking of those canal boats, which, according to the wording of the bill, come under the same head. When I was in the business I had several hundred individual men, beside my office—I think 1,000 men altogether—both from the Champlain and the Erie Canals, individual men owning their own boats, coming there for loads and delivering loads, on which I collected the freight for a great many years, for 25 years or more, and at that time one of the points we used to use in asking for the improvement of the canal was that water was the great regulator of rates, and it was on that argument that we got the State to expend the money to improve the canals, because they were great regulators that would protect the people against exorbitant freight rates caused by combinations between railroads.

These individual men would come down to New York and when I was in that position I had often a contract to take import freight, say, from the docks. We used to send large lots of import freight to Buffalo, and they would demand a boat immediately. We would get notice when boats were very scarce, caused by a break in the canal or by some unusual condition; the boats coming this way, perhaps, were not enough to accommodate the eastbound freight, so within two or three days, I have advanced the rate from \$0.60 to \$0.70 to \$1 and I have often gone down in my own pocket and have lost \$20 to \$30 on a boat because I had to do it. The importer would say, "Cleary, get a boat over to Wolworth's Stores immediately. If they do not take that stuff, we will put it in the store." That would cost us 10 cents or 15 cents a ton more besides the additional cost of it. So we would be immediately obliged to change our rates to get that business out of there. Then again at Buffalo there would be a large amount of grain coming in suddenly just after harvest time in August, and there would be a demand for boats. I have often seen the rates raised from 3 cents a bushel Buffalo to New York, to 5 cents, nearly double, for the purpose of making these fellows run light to Buffalo; they would all go off flying light, as they call it, to Buffalo to get that increased freight rate. Then take the Champlain Canal trade, which I was in for about twenty-five years. There we were often in the same way. In the fall of the year, the Quebec merchants who wanted coal—principally coal in that canal—the ordinary rate was about \$1.50 a ton New York to Quebec. I have often seen it raised up to \$2.25 a ton, all in two or three days time. The Quebec dealers would demand boats and

we would wire them we could not obtain boats at the price; that they could get other employment which suited them better at that time of year; so, in order to induce them to go into Quebec, the freight rates would be advanced in two or three days 40 per cent or more, perhaps 50 per cent, and often more than that.

I am only mentioning these things to show how it works. It is an elastic business. I am speaking of the canals as well as of the other, particularly of the canals just now, and in order to get boats into one certain line from another line of trade, which is necessary, because of the lateness of the season, or for any particular reason, why immediately rates have to be advanced in that direction to secure the boats to do that business. I have seen the same thing in iron ore. Our concern used to carry large lots of iron ore from the Lake Champlain country with the Jersey Central and other roads, and the iron merchants had to have the iron, so we immediately advanced the rates to secure the boats and hinder them from carrying stuff they liked to handle better. So we would have to advance rates—advance them in a day in order to secure the boats for that particular thing that had to be done—that was more pressing.

That thing is largely so on the canals. It is so all the time. It is supply and demand, and it was always considered by the patriotic men who desired water transportation improved; they always claimed that the water was the regulator of the roads, and it was never, I think, understood by the Government that this local water business, I mean in and around the State, needed any regulation. It was the railroads which had to be regulated, because they had the power of doing things which the water men had not.

The CHAIRMAN. Do you understand that this bill applies to anything except something in connection with either interstate or foreign commerce?

Mr. CLEARY. Well, I think that it is generally understood. I am advised, and it looks so from the language of the bill, that this would take in all those boats—the canal boats, the river boats, the sound boats, the harbor boats, etc.—under present conditions.

The CHAIRMAN. Certainly, if they are engaged and employed in transporting some product in interstate or foreign commerce, but if it is a local product transported from one point in the State to another point in the State, I do not understand that this bill applies to that.

Mr. CLEARY. It says in that clause—I think perhaps Mr. Squiers might call attention to that.

The CHAIRMAN. Is that your understanding of it, Mr. Squiers; is that your construction of it?

Mr. SQUIERS. As I read that, Mr. Chairman, the definition of "other persons" in the act is broad enough to take in every activity under the law, except that of intrastate business, which is excluded from the bill. But in New York Harbor, for instance, we have operations between the port of New York and Canada, between the port of New York and New Jersey, between the port of New York and Massachusetts, Rhode Island, Connecticut, Delaware, and Pennsylvania.

But there is a peculiar situation under this bill—rather an anomaly, it seems to me—that a boat operating in the forenoon between Brooklyn and Manhattan would be outside the law and in the afternoon

operating between Brooklyn and New Jersey, Jersey City, or Hoboken, it would come in under the law. In other words, New York Harbor is so strategically located that the activities in that harbor would be part of the time under the law and part of the time outside of the law, and I think the definition is broad enough, with the limitation which I have indicated, to cover every activity except the activities of purely intrastate.

The CHAIRMAN. That, of course, is what I meant. I thought from the statement of the witness that probably he was of the impression that it applied to intrastate.

Mr. CLEARY. Now, all this iron I am speaking of is unloaded in Jersey City, Elizabeth, and South Amboy, all in New Jersey, and lots of stuff comes down which goes into the sound ports in Connecticut. That is a tremendous business, which affects all the people along the eastern coast in Massachusetts, Rhode Island, and Connecticut, particularly in coal that goes from one State to another. And then there comes a time of year when people located in certain parts of Connecticut have to get their coal in before their local streams raise up, so there is a big demand for boats and the freight is raised immediately, so we can divert the boats from ordinary trade and get them into these places. In fact, the whole water business is of that nature. Take New York Harbor. Mr. Moran, I think, said there were 921 miles. Of course, he means all around Manhattan Island, all around Brooklyn shore, and all around the sound as far as the New York City line, and so on all in the harbor, and there are boats going to so many places and under so many conditions continually that it would be nearly impossible to get out any schedule of rates that would apply to each place at certain times. As was explained also by Mr. Moran, the weather conditions, the ice, and all these things interfere with it and the supply and demand of boats.

There seems to be this in it, that while there are times when boats make good profits, there are other times that they make losses. We have conducted our business, I am sure, for a year or two at a time, if we counted the depreciation we would have lost money each year, and yet it was necessary to keep that equipment and keep in that business, necessary I mean for the port of New York, for a lot of people to keep in it, to keep boats so when the time came and they needed them they would have them. We were not philanthropists, but we did it because we expected the time to come later on when the demand would come for boats, and usually there is a little time every year, sometimes in the fall of the year for coal, the boats are unloaded quicker, the freight is a little better, and so we depend frequently on one month in the year, or two months in the fall, to make up the deficit caused through the dull times in the summer.

The Hudson River ice. Take the Hudson River, the sound, and harbor of New York, where thousands of boats are employed all the time, and I think that my friend, Mr. Moran, was in error this morning when he thought—I do not think he thought far enough—when he thought the business in and around New York was 60 per cent foreign vessels. I do not think that is true, because I do not think he realized the immense importance of the Hudson River traffic that runs into millions of tons, and so does the sound.

Take it all in all, there is an immense local business, if I might call it local, including the Hudson River and the sound as far as New Haven, and so on, in which all these boats, these lighters, such as we and our friends have spoken of, and there are many hundreds, as Mr. Moran said, individual owners, fellows who have one boat. They have their wife and family on that boat. There are hundreds of those. I guess they run into thousands, individual men making their living off of one boat.

Senator LIPPITT. Those are lighters, do you mean?

Mr. CLEARY. I mean coal boxes, grain boxes, and those that lighter heavier material around the harbor and up the river.

Senator LIPPITT. Barges?

Mr. CLEARY. Barges that we call boxes, so that all these men run in competition with each other. They are all supposed to cut each other's throats in the matter of freight rates. If times are a little dull for my friend and I am getting a steady rate somewhere and he wants it, he thinks Cleary has been there long enough, and he will try to get there, and he immediately cuts me 2 or 3 cents a ton, and he gets the business. When I was in that canal business, as an example, we never had any steady rate, it was impossible. We could not have a steady rate because the boats had to meet certain bad conditions at certain seasons of the year and had to be kept going, and then when there came a good part of the year, the last month or two, they sort of made it up and leveled it up so that as a whole they could continue in the business, and it is that way all the time.

Of course during the war, as was brought out here to-day, there has been a larger demand for boats, and I might tell you, if it would be of any interest to you, the particular reason for that. It is because there are not vessels enough to receive the stuff that comes in by rail to the port, and these boats not only have to lighter it, but it is left in lighters so they may go back to the railroads, or wherever they get the stuff, and get another load, and they have the stuff being held in that way, and that is the reason.

The moment the conditions end, if it should end with the war, immediately there will be a surplus of boats again. We always have a large surplus of these boats, except now. Now, the only time before this in my recollection was in 1902, when they had a coal strike, then, as soon as the strike was over, everybody wanted some coal at once and paid an extra price for boats for a while till they got some coal in New York and got started again.

There is a level competition all the time. It has been tried by boatmen a few times. When I was representing them we tried to make up little concerns, organizations that might maintain a little rate of freight, but never could do that because there were too many outside of it.

The argument which I am trying to make in such a poor way is that there is a strong, leveling, natural competition all the time between all these classes of lighters, canal boats, etc. These canal boats come down from the canals in the winter when the canals are not open and they enter the field. Even now a lot of them did not go up the canal; they are employed by the railroad companies in lightering grain—those fitted for it—and other material along the harbor. So whenever the present conditions in and around New

York harbor which, of course, are different from any other harbor in the State or in the country, is so, they may be diverted from any ordinary business to a very pressing business at short notice and a little extra compensation. They could not get that in any other way, as I was saying just before you went out, we would not go to the expense of fixing our boats up—they are ordinary coal boats—we would not go to the expense of fitting them for grain boats and pay several hundred dollars to do it unless it paid, and it only pays just because at the time it is more necessary to do that than ordinary work. Coal can wait a little longer, but when grain arrives it has got to be taken care of, the cars have got to be released, and other things that come on the cars, so for the time being they make a temptation just as the canal shippers do to the individual boatmen. For instance, there is no company that owns any number of boats; they are owned by every Tom, Dick, and Harry; he has his wife and family and does that in order to make a living.

Senator JONES. But it is his home?

Mr. CLEARY. It is home; he lives on it, summer and winter.

The CHAIRMAN. My understanding is that under this bill the shipping board will not acquire jurisdiction to interfere with your rates until they have judicially determined that the rate you are charging is either an unjust rate or an unreasonable rate. Now, when, after a full hearing, and having given opportunity to both sides to be present, they have reached the conclusion, and so declare, that the rates you are charging are unjust or unreasonable, then they have jurisdiction to compel you to desist from charging that rate.

Mr. CLEARY. I might say in answer to that—

The CHAIRMAN. That is a condition precedent to their exercising the functions and powers given them in this bill over your rates.

Mr. CLEARY. I might say they could not wait for that. I might say it is not the boatmen who raise the rates. I might say in our own case we never raise these rates, but the shipper tempts us. He says, "If you will load for me I will give you so and so." He wants the boats, and no man refuses the extra compensation. But the boats have not got together and made any exorbitant rates of freight at any time that I remember, and I have been in the business, as I say, about 40 years. But when there is a big demand, a demand for a certain class of property, and I have been on both sides, I have been a shipper contracting, carrying freight from New York to Montreal, New York to Buffalo, say for 25 to 30 years, and later I got to owning some boats myself, but when I want a boat I would not have time to go and ask; the men call me on the phone now and want to know over the phone what I want to do. Well, if it took me 2 or 3 days to find out whether I would be permitted to pay it or not, the time would be gone by, and my goods would be gone into storage. They are import goods and I could not handle them. But I have to decide right off. There is a whole lot of them who hang around South Street. They come around and hit a fellow on the back and say, "Old man, we are going to load this stock; we have got to have some boats." I say, "I will give you a rate of \$150 or I will give you a rate of \$175." I would raise it right a way, because I have to take care of that property that those people have got to forward and take care of. That is the way that business is done in New York Harbor undeniably. The reason it works that way is

because there is no organization between the boatmen and boat-owners. Each one is competitive to every other one, and that is the reason they need no regulation.

We used to shout that out from the treetops when shouting for the canal, "Give us the canal. When we have water transportation we have regulation for the people, we have protection, it is a regulator itself." And whenever the Erie Canal was mentioned, and I have heard it mentioned by very wise men, when the people said, "The railroads will not give the canal this freight," but I think Senator Kern from Utica first mentioned that, he said, "Gentlemen, if the canal never carried one quarter of what it now carries, if it never carried but a small percentage, when it is there ready to carry," he said, "it then becomes the regulator and protects the great port of New York." That was the argument. That was the same argument with the boats going up the Sound from New Jersey to Connecticut. The people up there are not at the mercy of the New York, New Haven & Hartford Railroad or of any other railroad which might run in there. There is the water and they run into Bridgeport and into New Haven and in other ports on the Sound farther beyond, and in that way they protect the people of that section against any rates that the railroads might put up on them, and which the railroads do whenever navigation is interfered with. They get together and they put up their rates whenever they can. And it because of that that you gentlemen, in your wisdom, made your Interstate Commerce Commission to protect the people against the organizations of railroads combining with each other to make unfair prices for the people. But the water transportation never does that. And it is the people themselves, the shippers, who make rates higher for themselves occasionally and even then they do not have to pay, it comes on to the goods, they all have to pay alike, you know, and they divert these boats from one employment to another, just as you would pull a rubber band a distance you wanted it to go.

So we think that is a good situation, and we think that anything that would interfere with such a situation would not be for the best interests of the people. There are so many ports, so many places in and about New York Harbor, so many places that this would apply, that it would be impossible to make rates far ahead and say that we would carry it for so and so, because if you did not like the rate you simply would not do the job at all, you would go and do some other job and let that fellow be stuck and when he asked why he could not get the material, reply: "Well, I can not get any boats. I will not go down there." The rates made under favorable circumstances would not pay when the circumstances were unfavorable. So it would have a tendency to paralyze honesty and the commission would be interfering with the free competition which exists in water transportation business.

I do not think it necessary for me to go into the tug business as Mr. Dalzell is the principal of that line.

Senator LIPPITT. Do similar conditions to these you have been describing exist in Boston?

Mr. CLEARY. I am not familiar with Boston. I have never been in Boston in my life, although I have been in most of the rest of the country. I have never been in Boston or in any of these other

ports to examine conditions. I do not think, however, to the same extent.

Senator LIPPITT. Not to the same extent, of course, but to the same general character?

Mr. CLEARY. Of course, I know in Boston, like Jersey City, its terminals for railroads are right on the docks, you know, and Mr. Wyman, who was a public spirited man, said if anybody devised the most damnable place, as he put it, for delivering goods it was New York Harbor, for he said the railroads end in New Jersey, the stuff is stored in Brooklyn, and shipped from New York, so it has to be lightered and relightered. Often it has to be relightered over to the warehouses in Brooklyn and then relightered back again to the North River steamships. It has a peculiar condition such as obtains in no other city. The railroads all end in New Jersey except the New York Central, and even they have gone into the same arrangement so as to put themselves on a par with the West Shore and their other road over there, and with the other railroads, to lighter from their place up at Sixty-fifth Street, all around New York Harbor.

I remember E. R. Livermore, one time when I first went into this canal business, he was then the oldest grain merchant in New York, and we were talking of the canal and railroad transportation. I was representing a lot of boatmen in the water transportation.

"Why," he said, "Cleary, the particular advantage of the canals and the advantage all water transportation has over rail is when your stuff gets here it is afloat." He said, "The railroads reach the terminals and they have got to put all the stuff afloat in order to get it in the same condition yours is in." That is where we have the advantage. We go after it wherever they want to give it to us—all over Staten Island, all over the Jersey shore. We go down in Jersey after asphalt and out on Staten Island after marble dust, and we go up into Newton Creek and all over after this stuff. So it is a very complicated state of affairs and it seems to me, honestly speaking, that it would be a very difficult thing to handle and an unnecessary thing to attempt to handle for there are no abuses there.

Senator JONES. About what percentage do you think of the lightering and transferring in the harbor is done by individuals and companies who are independent of railroads or steamship transportation lines?

Mr. CLEARY. I think there is a good deal more than one-half. The railroads keep a certain equipment of barges that they expect they will always keep because even in the dullest times the few barges they have they will keep busy. Whenever any abnormal time comes in the fall of the year when the grain comes in, so they are always looking for these extra boats, and these boats are diverted from one thing to another.

Now in ice this year, those poor ice fellows; each has so many boats to bring ice down the Hudson River, and they are going crazy to get ice boats, the railroads want them, but the boats would rather carry grain than ice, so the railroads are taking up a great many of these boats in order to relieve their cars; then, if a vessel is not here they can not unload it into the vessel, so it makes a little scarcity just

now. But, as I say, the minute this present condition ends you will see those boats floating around New York harbor carrying automobiles. You would be surprised. You will see great piles of them on the decks of the boats, automobiles for export.

Senator JONES. Do most of these foreign shipping companies have lighters of their own?

Mr. CLEARY. Well, they have some, but not so very many. They depend on these other boats.

Senator JONES. Most of the business is done by the independent lines?

Mr. CLEARY. Yes, for various reasons.

Senator LIPPITT. Do those large steamship lines have lighters of any special type, built for any special purposes, or are they a general type of lighters?

Mr. CLEARY. I do not think these regular ocean liners have any lighters at all. I think a few southern steamers bring resin up.

Senator LIPPITT. Do they have any towboats?

Mr. CLEARY. Very few; once in a while one line may own one boat, but they do not amount to anything.

Senator LIPPITT. When one of those steamers has to have—

Mr. CLEARY. Mr. Dalzell and one or two others do that.

Senator JONES. Do any of the coastwise lines have their own lighters?

Mr. CLEARY. Very few—the Savannah Line, the Ocean Steamship Company, and the Clyde. They have a few lighters to get rid of this resin and turpentine stuff, I think they have one or two as not to clutter up the docks.

Senator LIPPITT. What did you mean when you said a few minutes ago these steamship and railroad companies had a certain number of lighters kept busy all the time?

Mr. CLEARY. I meant the railroads. If I said the steamships, I did not mean it.

Senator LIPPITT. Do those railroads have any special type of lighters or just ordinary lighters?

Mr. CLEARY. They are made in different types. They have a lot of flat scows, some flat scows to carry stuff that is not damageable, but they mostly use a box made 100 feet long, just a square scow—they put a house on it, and in that they put flour and all kinds of goods and deliver it at different places in New York harbor where they want it.

Senator LIPPITT. Then they have some special lighters for the purpose of ferrying their cars across?

Mr. CLEARY. Those are what we call car floats. The lines of the Jersey do have those. For instance, a good deal of the Pennsylvania Railroad stuff between that road and the New York, New Haven & Hartford. They transfer from Jersey City to Harlem, where their connection is with the New York, New Haven & Hartford Road, so they have to have these car floats. Some go to Brooklyn. They have what they call railroad terminals in Brooklyn. That means the car float goes into the dock and the car rolls off onto the switches on shore.

I will not take your time any further.

The CHAIRMAN. You may proceed, Mr. Squiers.

**STATEMENT OF MR. ARNON L. SQUIERS, ATTORNEY AT LAW,
NEW YORK—Resumed.**

Mr. SQUIERS. May I call your attention to one point you have brought out, Mr. Chairman?

The CHAIRMAN. Yes, sir.

Mr. SQUIERS. The point to which I wish to draw your attention is that the board could not interfere with rates until the rates were found unreasonable upon investigation, and I call your attention to page 15, section 16, of the bill, lines 1 and 2, also lines 7 to 12, inclusive. As I read that bill, it seems to me that that was not exactly the interpretation of the bill. It reads as follows, this referring to the board:

and shall approve all other agreements, modifications, or cancellations.

That means whether they are oral or in writing.

The CHAIRMAN. What lines are those?

Mr. SQUIERS. Lines 1 and 2 on page 15.

The CHAIRMAN. That applies, I think, to agreements between competing lines.

Mr. SQUIERS. No, sir; every common carrier by water or other person subject to this act.

The CHAIRMAN. Yes, entering into agreements. That follows the section which precedes it where it says, section 16, "every common carrier by water." That includes all of them, "or other persons subject to this act shall file immediately with the board a true copy, or, if oral, a true and complete memorandum of every agreement," and so on, that may be made between the different units of that combination. And now this language which you use there, which is the conclusion of that section, has reference to the agreements that are specified in the earlier portions of it, I think.

Mr. SQUIERS. I wish I felt that were the meaning.

The CHAIRMAN. I have not read it very carefully.

Mr. SQUIERS. I have read it very carefully, and I read that clause this morning about 1 o'clock. At the present time, if my client asked me if this bill were enforced in law, if it were necessary for him to report every agreement his company made, whether oral, written, individual, or otherwise, to the board, I should say yes, under the peril of a penalty under the act. I would not take the responsibility to advise him otherwise.

Senator JONES. Who is your client?

Mr. SQUIERS. The John E. Moore Co.

Senator JONES. What business are they in?

Mr. SQUIERS. In the towing business and also in business of this nature: They transport all the immigrants that come into New York from the steamship lines, under an agreement with the steamship lines, to Ellis Island.

Senator JONES. You would come to that conclusion because of the language in this paragraph which defines other persons subject to this act?

Mr. SQUIERS. Yes, sir; I am afraid that is the interpretation.

Senator JONES. I do not see how you can get around it.

Mr. SQUIERS. The reason for that is this: Undoubtedly in the course of time this act will be judicially construed and there might

be limitations put on it. But an administrative body, like a board, I have found will resolve readily every doubt of jurisdiction in its own favor and leave the matter of limitation to a judicial interpretation. I think that is the experience of laweysr everywhere.

The CHAIRMAN. That section that you are speaking of, and to which you have called my attention—section 16—and the part that you read, is taken from that section. It says:

SEC. 16. That every common carrier by water, or other person subject to this act—

Of course that includes these lighter companies—

shall file immediately with the board a true copy, or, if oral, a true and complete memorandum, of every agreement with another such carrier or other person subject to this act, or modification or cancellation thereof, to which it may be a party or conform in whole or in part, fixing or regulating transportation rates or fares—

That is an agreement—

giving or receiving special rates, accommodations, or other special privileges or advantages; controlling, regulating, preventing, or destroying competition; pooling or apportioning earnings, losses, or traffic; allotting ports or restricting or otherwise regulating the number and character of sailings between ports; limiting or regulating in any way the volume or character of freight or passenger traffic to be carried; or in any manner providing for an exclusive, preferential, or cooperative working arrangement. The term "agreement" in this section includes understandings, conferences, and other arrangements.

The board may by order disapprove, cancel, or modify any agreement, or any modification or cancellation thereof, whether or not previously approved by it, that it finds to be unjustly discriminatory or unfair as between carriers, shippers, exporters, importers, or ports, or between exporters from the United States and their foreign competitors, or to operate to the detriment of the commerce of the United States, or to be in violation of this act, and shall approve all other agreements, modifications, or cancellations.

Agreements existing at the time of the organization of the board shall be lawful until disapproved by the board. It shall be unlawful to carry out any agreement or any portion thereof disapproved by the board.

All agreements, modifications, or cancellations made after the organization of the board shall be lawful only when and as long as approved by the board, and before approval or after disapproval it shall be unlawful to carry out in whole or in part, directly or indirectly, any such agreement, modification, or cancellation.

Every agreement, modification, or cancellation lawful under this section shall be excepted from the provisions of the Act approved July second, eighteen hundred and ninety, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," and amendments and acts supplementary thereto, and the provisions of sections seventy-three to seventy-seven, both inclusive, of the act approved August twenty-seventh, eighteen hundred and ninety-four, entitled "An act to reduce taxation, to provide revenue for the Government, and for other purposes," and amendments and acts supplementary thereto.

Whoever violates any provision of this section shall be liable to a penalty of \$1,000 for each day such violation continues, to be recovered by the United States in a civil action.

Now, I think that last language there refers to the approval of these agreements, modifications, and cancellations that are referred to in this act.

Senator LIPPITT. What is the force of the word "other"? Is that not inclusive of everything that has been said?

The CHAIRMAN. Approved all other agreements, modifications or cancellations. The point I am making is, that gives the board authority to approve agreements between competing carriers or other persons subject to this act. That is not the section from which

they derive their authority to regulate rates. That section is section 19.

Mr. SQUIERS. Yes; I have that before me.

The CHAIRMAN. Beginning on page 18, line 17, you will find this language:

Whenever the board finds that any rate, fare, charge, classification, tariff, regulation, or practice, demanded, charged, collected, or observed by such carrier is unjust or unreasonable, it may determine, prescribe, and order enforced a just and reasonable maximum rate, fare, or charge, or a just and reasonable classification, tariff, regulation, or practice.

Senator JONES. That only relates to every common carrier by water in interstate commerce.

The CHAIRMAN. Yes; that relates to common carriers in interstate commerce.

Senator JONES. But that does not relate to these others. Section 16 covers these other persons.

The CHAIRMAN. The language I read a little while ago in section 16, Senator, applies to all.

Senator JONES. Yes.

The CHAIRMAN. It gives the board the right, when it finds a rate to be "unjust, discriminatory, or unfair between carriers, shippers, owners, importers, or ports, or as between exporters of the United States and their foreign competitors or to be operated to the detriment of the commerce of the United States."

Senator JONES. Yes; but up above here it authorizes agreements with reference to the rates and so forth, and then below it gives the board the power to disapprove them.

The CHAIRMAN. "Violation of this act and shall approve all other agreements, modifications, or cancellations."

Mr. SQUIERS. I am addressing myself now to the point you made, that all their agreements would be valid until disapproved by the board. In connection with that I wish to read the paragraph following that section, which reads as follows:

All agreements, modifications, or cancellations made after the organization of the board shall be lawful only when and as long as approved by the board, and before approval or after disapproval it shall be unlawful to carry out in whole or in part, directly or indirectly, any such agreement, modification, or cancellation.

In other words, it would never do for any operator to take a chance with that law with that clause in there, with the accepting clause just preceding it, which says, "all other agreements." That means every kind of agreement you can think of. I can not interpret that language any differently.

The CHAIRMAN. If you are talking about agreements between carriers that is absolutely true; but if you are talking about a rate fixed by yourself without agreement, or by carriers without combination, then I do not think it is true.

Mr. SQUIERS. Mr. Chairman, the towing business is not a carrier business. It is neither a common carrier in foreign trade nor a common carrier in domestic trade. Most of their operations are matters of oral agreement over the telephone or by word of mouth, and is for the specific operation that is being done at the moment. That is an agreement. For instance, take the following: Some time ago I was coming in on an Atlantic liner and Mr. Dalzell's boats were called in

to tow us into the East River, where the tide conditions existing were very difficult.

The CHAIRMAN. But you are talking now about an agreement between the carrier and the shipper. I am talking about agreements between carriers to reach a common basis of rates.

Senator LIPPITT. This language includes both kinds of agreements.

Mr. SQUIRES. This says not only carriers by water but other persons under this act. Suppose there is an agreement between Mr. Dalzell's line and Mr. Collier's line. They are both "other persons" under this act. They could not make an agreement for even an hour without coming under the provisions of this bill providing it had to do with interstate commerce.

The CHAIRMAN. I think we must have wholly misunderstood each other. If there are rates and carriers enter into an agreement, of course the board would have absolute jurisdiction of it under the section that you refer to.

Mr. SQUIRES. Yes, sir.

The CHAIRMAN. But suppose you are operating one of these barge lines, without any connection with a railroad or a steamship company, or without any combination or agreement with other barge lines, then I do not think the board would have jurisdiction over a rate that you fixed for yourself unless and until it found that that rate was unjust and unreasonable.

✓ Mr. SQUIRES. In view of the language used in lines 7 to 12 that it shall not be valid until approved and before approval and after disapproval it shall be unlawful.

The CHAIRMAN. You and I disagree as to what that language refers to, that is all.

Mr. SQUIRES. This has rather got fixed in my head because I have been studying over that paragraph a great deal.

The CHAIRMAN. I am not absolutely certain about that matter myself because I have not had that called to my attention and had not considered it except just at this moment.

Mr. SQUIRES. The point you raised was what brought it to my mind.

Senator LIPPITT. Mr. Squiers, do you understand that that paragraph, lines 7 to 12, on page 15 that you have been reading, would apply to a case where a schooner was coming up from Sandy Hook and a tugboat came along side, and the two captains made an oral agreement as to what price they should be charged for towing the schooner up?

Mr. SQUIRES. It would seem so to me. This is an opinion and a matter which is not at present the law but may be.

Senator LIPPITT. In other words, your interpretation of that would be if they made an oral agreement and carried it out before it was approved by the board they would be doing an unlawful thing and would be liable and punishable both by being fined and put into jail?

Mr. SQUIRES. My legal opinion may not be substantial but that is my opinion.

Senator LIPPITT. I was just asking your opinion.

Mr. SQUIRES. That is my opinion absolutely.

Senator LIPPITT. In that case that paragraph would make the present method of shipping in New York Harbor impossible?

Mr. SQUIERS. Absolutely.

Senator LIPPITT. The schooner would have to anchor and send a messenger up to New York and get his agreement approved and wait two or three days for it before he could go up to his anchorage?

Mr. SQUIERS. Absolutely, Senator.

Senator LIPPITT. Is that your conception of it?

Mr. SQUIERS. That is my interpretation. I have considered it very carefully.

Senator LIPPITT. Of course, it only shows how far-reaching a bill of this kind is, not only as affecting the commerce of your port, but must no doubt affect the commerce of other ports.

Mr. SQUIERS. I have been advised that similar conditions exist in a lesser degree in other ports. It would affect your port, Senator, and New Orleans, San Francisco, and other ports where I have been informed that similar conditions prevail and operations are similar.

I wish now to introduce Commodore Dalzell, chairman of the committee on rivers and harbors of the Maritime Association.

STATEMENT OF MR. FRED DALZELL, VICE PRESIDENT NEW YORK BOAT OWNERS' ASSOCIATION, NEW YORK CITY.

Mr. DALZELL. Mr. Chairman and gentlemen: I have prepared a statement of facts from the standpoint of a boy who started in the tugboat business 38 years ago with a boss who had two tugs, and when he died and left me the business he had six, and now my brother and I have nine tugs. My brother is an engineer, and when he was engineer of one of the boats I was office boy and swept out the office and got the business and between the two of us we have gotten a fairly good fleet of boats, nine in number, which, together with other people in our respective line of business we are competing daily for a livelihood and to make our mark in the world as being transportation men. Thus far it has gone without complaint, so far as I know from any official of the Government, and apparently to their satisfaction and to ours, and it is our hope so long as we do keep within the law that we may be able to pursue our legitimate business and without interference of the law or the lawmakers until they find us in error and have occasion to call us to account.

This statement of fact I shall be glad to leave with you on account of its length.

Senator LIPPITT. How long is it?

Mr. DALZELL. I shall not read it, if you please.

The CHAIRMAN. Do you wish it printed?

Mr. DALZELL. If you will. I should also like to submit the following telegram from Mr. John Dowd, secretary New York Boat Owners' Association.

The CHAIRMAN. It may be inserted at this point.

(The telegram referred to is here printed in full, as follows:)

NEW YORK, June 19.

Mr. ERNEST STAVEY,

Secretary New York Boat Owners' Association,

New Willard Hotel, Washington, D. C.

DEAR SIR: The Maritime Association of the port of New York, comprising in its membership representatives of practically all interests at this port engaged in shipping affairs, reiterates its opposition to H. R. bill No. 15455 and believes

that the paragraph which provides that towing and lighterage interests shall be classed as "common carriers" and made subject to the control of the shipping board as to the fixing of rates is particularly objectionable. The particular business carried on by the towing and lighterage interests is affected to such a large extent by constantly changing conditions and is dependent so largely upon varying circumstances requiring prompt action to suit each case that we believe that it is absolutely impossible for any board or commission to fix rates or otherwise regulate this important business without so hampering its conduct as to seriously affect traffic conditions at this port to the detriment of all interest in any way allied to shipping.

This association is on record as favoring the formation of a shipping board for the purpose of investigation and inquiry as to the needs of shipping and for the purpose of recommending to Congress desirable legislation in this connection, but we believe that to empower any such shipping board with authority to regulate rates would be most unwise and fraught with grave danger to the merchant marine of this country.

JOHN DOWD.
Secretary.

Mr. DALZELL. I should like leave for just a moment to sum up some of the points I have made. For instance in the port of New York there are 547 tugs or steam lighters that were inspected by the second inspection district in the year 1915.

Senator JONES. Can you give us any idea as to how many different owners?

Mr. DALZELL. I am going to come to that, if I may, a little later, Senator. Sixty per cent of this number are owned by the trunk line railroads and the large oil companies and large corporations who are now governed by the provisions of the interstate commerce law. The remaining 40 per cent are owned probably by 200 different people in this particular line. For instance, a captain of a boat will own a one-third interest and act as master. The engineer will own a one-third interest and act as engineer. A collector or agent will own one-third and he will look after the business ashore. In order to be able to make wages for themselves and pay the other operating expenses they must find business wherever they can get it. One means is, as the Senator from Rhode Island has just suggested, they go to Sandy Hook in search of vessels arriving at this port with the hope of getting a job of towing this vessel in. They may lay there from 12 to 48 hours before such vessel will arrive off Sandy Hook. Then if the wind is fair the vessel does not require the services of a tug. If there is an adverse wind she does. Then it is a question of bargaining between the master of the vessel and the master of the tug as to what shall be charged for towing her up.

As the Senator has suggested, if this phraseology is the way we understand it, that any person or persons engaged, then this tug would come under the proposed inspection, and we submit they would not have an opportunity to consult any shipping board or any Government officer as to what should be the charges, and the vessel would have to lay outside awaiting some sort of permission from this captain of the tug to bring the vessel in. In the meantime a storm might come up and the vessel have some harm done her. That is one thing.

The trunk line railroads and the Standard Oil Co. keep a sufficient equipment to do their own business in normal times. When abnormal times come, the same as at present, then they call upon the individual towing concern to assist them in their operations, but we, as individual towing and lighterage concerns are in no sense common

carriers. We do not issue a bill-lading. In fact, we do not know the contents or the cargo that a vessel has that we tow. It is none of our business. We take the vessel and we tow her for the trunk railroad there to an Atlantic steamship company, or what not.

The question was asked a minute ago if large corporations owned their own plants. Mr. Cleary probably was not as familiar with that as I happen to be, because we do the excess business for these large trans-Atlantic steamship companies and for the foreign freight tramp steamship companies.

The Standard Oil Co. owns 24 tugs and I think 140 odd barges, regular cargo-carrying barges of the ordinary type, and then several of them are tank barges in which they carry oil to their various yards and case oil to ships bound to foreign ports. When their tugs are not able to do all this work they call upon us, or upon some other independent man, to assist them. They will call us, if you will. We may not have a tug. They will then call our competitor. He may not have a tug and they may call the third or fourth independent man until they get some one to perform that service. They also operate tank steamships for carrying oil to Mexico or to the Far East, Europe, etc. They call upon us at 6 o'clock at night and ask us to furnish them 1, 2, or maybe 10 tugs for the following morning. We will give them all the supply we have and then I will call upon one of our competitors to assist us.

Now it does not make us a common carrier, I should think, by assisting in towing these barges. We are not a participant in any agreement as to the rates or freight or any other condition the carrier or shipper may have. We have no knowledge of any private agreements they may have. We people are simply there in the capacity of assisting in moving that commerce.

Ninety per cent of our tow business in New York, it is safe to say, is intrastate commerce, because the tow vessels from Brooklyn to New York, from Brooklyn to Hunters Point, or any part of the port of New York, and then the other 10 per cent, it is safe to say, we will tow across the river to Jersey, or to Bay Elm. That makes us interstate.

Therefore, if such regulations as proposed in here were enacted, I should say that two-thirds of the day we would be operating outside of the provisions of the law and the other one-third within the provisions of the law.

To go back to the trans-Atlantic steamship companies. I have described the Standard Oil. The Clyde Line, the Mallory Line, the Ward Line and the West India Steamship Co. are virtually operated under one agreement, one arrangement while they have different heads; it is a merger just the same. They own a fleet of probably 60 liners and I think 10 tugboats. They do their own towage, docking and undocking of their ships, their own lighterage from each one of the lines, as far as their plant permits them, then the excess they have in towage they give to us, and on lighterage they give to some one who is in the lighterage business. Now, the firm accepting that business, such as I do, knows nothing about any agreement that the Clyde, Mallory, Ward or West India Line has in the way of freight rates, or the other conditions of the agreement. We simply are called upon to do their towing.

Senator JONES. Do you always fix the price you are to get before you start to do the work, or is there a sort of general charge, and understanding with reference to the charge?

Mr. DALZELL. There is a standard rate for docking and undocking a steamer which is based upon the time it takes ordinarily to do the work. We figure a basis of \$10 an hour for the value of the service of a tug.

Senator JONES. If you do not have a special agreement, that is the understanding as to what you will charge?

Mr. DALZELL. That is the basis; yes, sir. To be accurate, the charge for docking and undocking is \$15 per tug at the present time. That is made on the basis of the vessel being ready when they tell us she is ready and our boats go there and at one time, and everything works smoothly.

If, on the other hand, we go to the vessel and the stevedores have been delayed from some cause or other outside of any knowledge the company has, and our boats lay in wait an hour or two after the time they have set for the operation, then they allow us extra for this waiting. But it would seem to me if we should come under the provisions of this bill and the Board said the rate for docking and undocking a ship shall be whatever we agree upon, \$15, \$20 or \$25, that there would be no opportunity for them or us to have an allowance made for the extra delay, the unforeseen delay, but we should have to stick to the rate named by the board. Now the Morgan Line owns 50 or 60 lighters.

The CHAIRMAN. Why could they not establish not only the rate but the charge in case you did have to wait?

Mr. DALZELL. It would not be impossible to do that if you allowed latitude enough.

The CHAIRMAN. That would seem to me to be a part of the general subject that they have jurisdiction over.

Mr. DALZELL. Yes; but the railroad companies do not control, and the steamship companies do not control beyond their own property. Now, if a rate were fixed that was not agreeable or possible to the steamboat, I know of no power or law that would force the independent steamboat companies to do the business if they did not want to do it, if they thought it was not profitable. If they saw fit to do it, then they must do it at the rate set by the Government. But they do not have to do it; they can let their boats stand still. You could not force us to do it if we did not want to.

I tell you, Mr. Chairman, the very nature of the ownership of these individual tugs, owned as I have described, would make such a proposition impossible. These owners are not men of intelligence. They never could keep track of the changing conditions that might be made by the board, and they would violate this law; they could not help it; they would be bound to do it. Now, if the law sees fit to take them in hand, and the penalty, as I understand it, is \$5,000—well, the boat they own does not cost over \$5,000 and the Government would take their boat. They might not violate the law intentionally, but they might do it just the same, then the Government would have their boat. It would be confiscatory, I should think.

Senator JONES. Do not these independent owners usually have an attorney employed during the year to keep them advised with reference to the law?

Mr. DALZELL. That is the unfortunate part of the operation of independent tugs; the profit in it does not warrant an overhead charge of an employment of an attorney. That is the unfortunate part. Some concerns do, but no independent tugs can very well afford it.

The New England Steamship Co., operating between New York and Boston and the Sound ports, own their own lighterage fleet, and in connection with the New York, New Haven & Hartford Railroad Co., which owns the New England Steamship Co., they own their own tugs and are governed by the provisions of the interstate commerce law.

Senator JONES. Right in connection with that, and what you have already said, you have stated that in abnormal times, when there is a great demand, these railroad and steamship companies who have their own lighters come to you to do the excess work?

Mr. DALZELL. Yes, sir.

Senator JONES. Now, then, in abnormally flat times what do they do with their lighters if they have no work for them of their own? Do they go out and do general business?

Mr. DALZELL. I think not. I think they lay them up and charge the cost of their expense to the railroad operation.

Senator JONES. So you do not meet them in competition?

Mr. DALZELL. No, sir; never. The Ocean Steamship Co., of Savannah, owns their own plant, lighters, and not more than two tugs.

The Southern Pacific Co. only call on an outside tug and lighter when it is absolutely necessary, because they have the best equipped tugboats in the port of New York, aside from the Standard Oil Co. They have six and a full complement of lighters. They just bought out an independent lighterage concern not many months ago.

So in normal times when these companies that I have mentioned have no use for excess assistance, then we independents must lay on the end of the piers and wait until some good Samaritan comes along and gives us an operation to perform, and we are paying the bill.

There is a class of tugs, independent tugs, such as I own—I will be personal, if you will excuse me—and every one operating in New York does the same as we do. We have gone abroad and made contracts with English owners for the docking, undocking, and transporting of their ships when they come to New York, and this rate is flexible. I mean by that we figure, say, that \$15 is the proper charge for docking and undocking a ship. In docking we calculate it takes about an hour and a half to perform the operation and undocking takes about 15 or 20 minutes, and those two average up very nicely. But if we go to a vessel we expect she will have her own steam. We find when we get alongside that there is no steam on the main boilers and we have to lay out an hour or an hour and a half until they get steam up. Then, we have to make a charge for that extra service. That, we think, under an arrangement by the shipping board we would not be able to do without first getting the consent of the board.

Ordinarily the Atlantic Fruit Co.'s ships dock at Pier 15. If she arrives on the slack water, two tugs are sufficient to assist her into the dock, for which a charge of \$15 a tug is made. But if she arrives 15 or 20 minutes after the tide has changed, either flood or ebb, it might require 6 to 10 tugs to get her in and take 2 or 3 hours

to do it. Now, if the board decided that \$15 was the proper rate for docking that ship, we should then have to demand that the steamer wait until slack water before we put her in.

The CHAIRMAN. Could you not fix the rate based on the number of tugs necessary?

Mr. DALZELL. I have said in the record, sir, that \$15 for each tug under ordinary normal circumstances is the charge, but there are abnormal circumstances, such as ice. The rivers are sometimes so congested by ice that sometimes for an operation that ordinarily takes 15 minutes or half an hour, we will say at the outside, might take us four or five hours because of the ice conditions and tide conditions.

The CHAIRMAN. So you think it would be impracticable to fix a maximum rate covering the cost under normal, ordinary conditions and then provide another rate where the conditions were abnormal as to the rate?

Mr. DALZELL. I think that a board such as would be appointed under the provisions of this act, say practical men, that nothing would be impossible for them to do with the assistance of those who are actually engaged in a business if they would ask their advice, which I am sure a competent board would do, and they could make some agreement that might be satisfactory. But in all the records that I have ever read in the investigations by the past three or four Congresses, I have never heard any complaints about any unjust charges by the people whom we represent, and I am forced to feel the intent of this bill is to regulate common carriers the same as Interstate Commerce Commission regulates common carriers, but I do not believe that when they find out the nature of the independent people that they intended to include them, and that is our object here today, Mr. Chairman.

The CHAIRMAN. The idea of the framers of this bill was probably simply to include in its terms those instrumentalities that were used in connection with the boats owned or controlled by the companies—

Mr. DALZELL. I think so; yes, sir.

The CHAIRMAN. And it was not intended to embrace independent concerns who had no connection with the boats of the river.

Mr. DALZELL. That is just my belief, and that is the reason that we thought that by your courtesy we might come down here, and if we were able to give expression to our honest convictions that it was not intended that we should be included, and we have come to ask you to please, in your wise judgment, eliminate just this class of business which is represented by these gentlemen here to-day.

We are not afraid of anything the Government might attempt to do, because we are at least business men and we want to comply with everything the Government asks us to do, but we do not want any more impositions upon us, or anybody, or any greater strain upon us than we have now with our local inspection service, which keeps us pretty well in hot water all the time, and it is for that reason that we ask that, after considering this matter, you will find that after all we, who are represented here to-day, do not come rightfully under this act because we are in no sense of the word common carriers.

The CHAIRMAN. A common carrier is a person who carries commodities for the public for compensation?

Mr. DALZELL. Yes, sir.

The CHAIRMAN. One who holds himself out for hire. That is what you do, is it not?

Mr. DALZELL. No, sir. I speak particularly now of towings. We do not carry anything. Mr. Cleary owns a lighter, we will say. Mr. Cleary has made a contract with the steamship company to take a certain portion of their cargo from one location in New York to another location in New York or to a location in New Jersey. He has made the contract with the steamship company, or with the manufacturer, if you will, to deliver these goods from one point to another. He issues a bill of lading for it.

Senator. JONES. He is the carrier?

Mr. DALZELL. He is the carrier. Now, he can not carry out his agreement with the steamship man without the aid of a tug to tow this vessel. The tugman has no part in the contract to carry this thing, except he tows the vessel from one point to another for the man who has made the arrangement.

The CHAIRMAN. Are you not a common carrier of barges?

Mr. DALZELL. Well, that construction might be put on it, if you take a long shot at it.

Mr. SQUIERS. May I interrupt right at that point for a moment?

The CHAIRMAN. It has raised a very interesting question to me.

Mr. SQUIERS. I have here what I consider to be an exact definition of a common carrier followed by our courts, so far as I know, throughout. It is as follows:

A common carrier is one who undertakes the office of carrying goods or persons for hire, and for all persons indifferently.

Now, these persons do not offer themselves indifferently to every Tom, Dick, and Harry that comes along. I come in with a schooner, and I say to Mr. Dalzell, "I want you to tow me into port." He says, "I will not have anything to do with you. Get somebody else to tow you." If he were a common carrier I could offer myself to him and demand his services, and he would have to take care of me. That is the difference, in my judgment. That is just where this bill breaks in two parts. As I said, it seems to me that the object of Government regulation is to correct abuse. This was investigated in the Sixty-second, the Sixty-third, and the present Congress. I have not read every word upon it, but I have yet to discover any criticism of the business of towing and lighterage in any of the investigations and reports that have been made by the committees. This bill was brought to correct the abuse by the agreement between the oceanic lines that were working unfavorably and in a discriminatory way between shippers and therefore working to the disadvantage of the public. It was to correct that. In other words, this is a corrective measure.

My point is this: In view of the fact that no abuse has been discovered in the towing and lighterage business, no corrective measure is necessary or needed, although it might be applied, however deep the difficulties, then why at this time should it be included as an incident to this bill? If that abuse arises it can speedily be brought under the bill, the same as the jurisdiction of the Interstate Commerce Commission was extended when the occasion came for it.

Now, as I understand it, these water carriers and towing concerns, etc., operating in connection with the railroads are now to-day under the Interstate Commerce Commission. So that if by eliminating this incident you eliminate those, still the Interstate Commerce Commission has that jurisdiction.

The CHAIRMAN. Your theory is that where a corporation owns score or so of tugboats and proclaims to the public that it has those boats for the purpose of hire, that because they have the right, as you claim, to refuse to hire to every individual who applies, that fact would take it out of the category of a common carrier?

Mr. SQUIERS. They are not common carriers—they might become common carriers. For instance, if Mr. Cleary here undertook to transport—entered into a contract, say, with the Reading Railroad, to transport a certain number of hundred tons of coal from Jersey to point of delivery, New Haven, for instance, he would not be a common carrier until he said, "Yes, I will take that contract on your terms." In that one operation he would be a common carrier, but would cease the moment the coal was delivered in New Haven. He can tie his boat up to the wharf for the next six years and never offer it to the trade, any more than my services as attorney could be demanded by anybody. A man walks into my office and says: "I have an action on a contract and want you to bring suit." I can say: "You can not offer me sufficient money or a big enough fee to take that action for you." In other words, I am not offering my services to the general public; I am offering them to the clients that I am willing to serve. They are offering their property and service to companies and individuals whom they are willing to serve, and the very important part of the legal definition of "common carrier" is that they must serve all persons indifferently. Take a man who goes to a train. It does not matter whether he is 21 or 45 years of age; whether he is decrepit or able-bodied; he buys his ticket and they have got to take him. He may be of the finest character or he may be the blackest crook on the map, but they have got to take him. They are common carriers. I think that is the line, as I see it, of cleavage that runs through this bill.

Mr. DALZELL. Mr. Chairman, I now want to call your attention to the wrecking business. The wrecking companies keep large plants and keep them for emergencies in the case of vessels going on shore on one of our beaches in the vicinity of New York or wherever they operate. Those plants must be kept fully manned and equipped for 365 days in the year. They might not have occasion to use them once in three months, or maybe once in six months, but whenever the vessels want them they want them very badly. I doubt if any board, any man, or set of men could fix a rate in the matter of the maximum that would compensate the wrecking companies for their loss of time and service rendered to a vessel. The underwriters are always satisfied to leave the matter of compensation either to arbitration or to agreement between themselves after the work is done. But it is utterly impossible to make a rate before the operation is performed. No matter who the man is, he does not live who has justice enough in him or sufficient knowledge of what the condition is going to be to do that. Even the wrecking companies take an operation on the basis of "No cure, no pay." They take the risk when they go to raise a vessel whether they are going to be successful or not. They

tell the underwriters that they will undertake to get that vessel off, and they say: "If we do not succeed it will not cost you anything, and if we do succeed we will expect proper compensation."

The CHAIRMAN. Do you understand that there is anything in this bill that would apply to the charges for salvage?

Mr. DALZELL. Yes, sir; "any person or persons." Those are the two words in that bill. That is really where we split. We have no serious objection to some other provision, as I say, with regard to the shipping board. This is my personal idea.

The CHAIRMAN. Do you think this bill would give the board the right to prescribe or fix a rate that might be charged for saving a wrecked vessel?

Mr. DALZELL. Yes, sir; I do without a doubt.

The CHAIRMAN. I do not thing that was the intention.

Mr. DALZELL. That is what I say. I believe that the intention—and I repeat myself—of the framers of this bill was to get some Government regulation over the common carriers on the same lines as apply with the Interstate Commerce Commission.

The CHAIRMAN. Will you refer me to the section of the bill which contains the language to which you refer?

Mr. DALZELL. I think it is page 16, is it not, Mr. Squiers?—"any person or persons." Can you tell me what page and what line that is on?

Mr. SQUIERS. It is on page 2, lines 11 to 16.

The CHAIRMAN. That language is as follows:

The term "other person subject to this act" means any person not included in the term "common carrier by water," carrying on the business of forwarding, ferrying, towing, or furnishing transfer, lighterage, wharfage, dock, warehouse, or other terminal facilities in or in connection with a common carrier by water.

I do not see anything in that language that has reference to salvage of wrecked vessels.

Mr. DALZELL. "Any person"—that is towing, when they get the vessel off, to New York.

The CHAIRMAN. Oh, when they get the vessel off.

Mr. DALZELL. You can not get her off if you have to wait to make an agreement with the board, because the vessel would be entirely wrecked.

The CHAIRMAN. With respect to the process of lighting the vessel so that it can be towed, do you consider that a part of the towage?

Mr. DALZELL. That is the point regarding wrecking—no two operations are similar. A wrecking company may go to a vessel and find that she is only so far imbedded in the sand as to require a hawser and apply it and tow her directly off, if they get to her promptly after she goes ashore. That is one of the towing operations that come under the provisions of this act—"any person" towing.

Senator JONES. It is also what you call a wrecking operation, is it not?

Mr. DALZELL. Yes, sir; because the vessel is in a precarious condition; she is on shore.

The CHAIRMAN. I do not believe the word "towing" as used in the bill would be given any such construction as that.

Mr. DALZELL. That is the fear we have of the interpretation that might be put upon it. They would have the right to interpret it in that way under this bill. Now, as a second condition, you might find

this vessel—in answering your question—after she goes ashore with a northeast wind blowing. We will assume that she is on the Jersey coast. That will put the vessel over what is known as the outer bar. Then the vessel can not be towed off and the wrecking company goes there with a set of anchors and long cables and they lay those anchors out to sea, attach them to the vessel, and then as the sea rises and falls, and with the tension of those cables they will, with the assistance of the tug, tow the vessel off in that way, and in either case they have to discharge the cargo. There are so many phases of the matter that it would take a long time for me to go into the details of it.

The CHAIRMAN. How much longer do you wish to take, Mr. Dalzell?

Mr. DALZELL. I am through whenever you think I have spoken long enough. I only hope what I have said has been instructive to the committee.

The CHAIRMAN. I do not want to stop you in your remarks. If you desire, we can fix another time for you to proceed, but the Senate is now in session and some of us wish to be in the chamber.

Mr. DALZELL. Mr. Chairman, may I have the privilege of putting the following letter addressed to the committee in the record?

The CHAIRMAN. Yes; anything that you desire to insert in the record as supplementing your statement, you may put in.

(The letter referred to is here printed in full as follows:)

NEW YORK BOAT OWNERS ASSOCIATION, INC.,
80 Broad Street, New York City, June 19, 1916.

The SUBCOMMITTEE ON COMMERCE, UNITED STATES SENATE,
Washington, D. C.

GENTLEMEN: Your honorable body has under consideration H. R. 15455, an act to regulate carriers by water engaged in foreign and interstate commerce of the United States. Certain provisions of the proposed act describe the term "common carriers by water in foreign and interstate commerce." It is proposed to place under the provision of the act any person or persons engaged in the business of forwarding, ferrying, towing or furnishing transfer lighterage, dock, warehouse, or other terminal facilities, etc. It is not the purpose of those of us engaged in independent towing and lighterage business, in the various ports of the United States, to discuss the merits of the bill as a whole, but we believe if your attention is called to some of the facts connected with the operation of the business of such independent towing and lighterage interests, you will readily see how impracticable it would be for the Government to undertake to regulate rates in this particular branch of the commerce of the United States and how impossible it would be of compliance with such regulation by these interests.

In the port of New York there were 547 tugs and lighters inspected by the second inspection district in the year 1915. Forty-seven of these are engaged in coast towing and wrecking. Of the remaining number 60 per cent are owned and operated by the trunk line railroads, which are already operated under the provisions of the Interstate Commerce Commission. The remaining 40 per cent are owned and operated by individuals, among whom the keenest kind of rivalry and competition exists. They have no steady fixed employment but depend upon the excess business of the trunk lines, the large oil corporations, the trans-Atlantic steamship lines, tramp freight steamships, contractors for excavations of cellar dirt, the city's garbage and ash disposal, coal companies, builders, etc. Therefore, when the large corporations are working only to capacity or less, the independent tugs and lighters are without employment. Many of these tugs and lighters are owned in small shares. For example, a captain will own a one-third interest and act as master, the engineer will own one-third and act as engineer, and a collector or agent will own one-third and attend to collections. This combination must find such employment for the boat as it can to make

wages for themselves and pay other legitimate operating expenses. One means of getting employment for this kind of endeavor is to go outside of Sandy Hook and search for vessels bound to the port of New York, which may require assistance. This tug may lay in waiting from 12 to 48 hours before any vessel comes along; then, if the wind is fair she does not require the tug's services. If it should be an adverse wind, the tug's services would be required. We submit that no Government board could fairly determine the value of this service in advance of its performance with fairness to the vessel requiring the service or to the owners of the tug performing it. There is another class of tug which operates in Long Island Sound, similarly owned and doing a similar business, where the same condition exists as in the previous case.

Still another class of independently owned tug has to do with the docking, transporting, and undocking of the trans-Atlantic, coastwise, and foreign tramp freight steamers.

Many of the trans-Atlantic and coastwise steamship companies own their own fleet of tugs and lighters, and any deficit in the cost of operating their boats can be charged against steamship operations. The independent tugs and lighters referred to must be manned and equipped, ready for a call to assist in operations that can not be cared for by the companies owning their own fleet. We ask in all seriousness how could a Government body do justice to such independent operators by regulating rates in advance for such service and in such circumstances. The wrecking companies are obliged to keep expensive plants fully manned and equipped for emergencies, at great cost to the owners, and are only called upon when a vessel is reported in distress, which emergency may not exist once in a period of three months or more, and then the nature of the service is vastly different in each individual case. It would therefore be impossible for any man or body of men to make a rate in advance for such service. There are individuals, firms, and corporations operating from 1 to 14 tugs and lighters in the various ports of the United States, each competing with the other, and this will always be so, for the reason that the tugs and lighters vary so much in size, power, and original cost; therefore, the cost of operation must vary materially. For example, two towing companies may manage six tugboats each and compete for the same class of business. The average cost per tug of one company is, say, \$20,000, while the average cost per tug of the competing company is \$10,000. It is therefore evident that the overhead charge and cost of operation of the larger tugs is considerably more, say 25 per cent, than that of the smaller, yet they compete for the same kind of business. A regulating board fixing a rate for the class of service performed by the class of tugs mentioned, must fix a rate which would be an advantage to one class and a hardship to the other, or vice versa.

Again, the conditions of employment vary every day, owing to the elements of wind, tide, fogs, and ice, causing vexations delays, which can not be anticipated 12 hours in advance. Our charges are based upon the average time it takes to perform a specific service. We constantly meet conditions that require four times the number of hours to perform a service over normal conditions. Let us assume that a service thus described was being performed for a foreign tramp freight steamer, which only visited the United States once in one or more years. The captain, having a copy of rates made by a Government board, would demand that such rate be applied to the service to his ship irrespective of a delay caused by his own fault. If a charge were exacted over the Government rate, the United States citizen owning and operating the tug would be subjected to a fine of \$5,000, approximately the value of the property employed for the service.

We submit that such an act would be confiscatory and would destroy our human rights. We are not common carriers in any sense of the word. We do not issue bills of lading, nor do we know the nature of the cargo carried by many of the vessels which we tow. We are, however, held to strict accountability to make good any damage done to a vessel while in our charge, and we find this quite an obligation.

We favor the creation of a shipping board, composed of practical men whose duties it shall be to make a thorough study and investigation of all the laws, rules, and regulations, governing the Merchant Marine of the United States, in all its branches, then, after such investigation and study it could recommend to Congress the passage of laws to improve conditions, over the present. Then and only then, would American capital be employed and the rehabilitation of our merchant marine become a fact in the over-seas trade of the world.

We ask, then, that until a thorough investigation of the whole subject has been made that Government regulation over independent towage and lighterage interests be excluded from the provisions of this bill.

Respectfully submitted.

NEW YORK BOAT OWNERS' ASSOCIATION,
FRED B. DALZELL, Vice President.

Mr. SQUIERS. Mr. Chairman, I want to express for myself and those who are with me our high appreciation of the extreme courtesy of yourself and the committee in granting us this hearing. I know the conditions under which this hearing is held, and we greatly appreciate the patience with which you have heard us.

I simply want to refer, in closing, to one phase of the business of my clients which has not been touched upon, and I believe it should be.

They are engaged in the towing business, and for years they have had the exclusive transportation of immigrants coming into the port of New York from steamships, under contract with the steamship companies, to Ellis Island. Of course, at Ellis Island they are handled entirely under governmental regulation and control; that is, from the time they leave the steamer the matter is a Government operation. Therefore, I want to say in behalf of that industry that it does not seem to me that there is any necessity for a company like that being brought under the provisions of this bill—yes, they would, because they take passengers from the Jersey short sometimes to Ellis Island, but that is a short operation. They transport them in their steamers down to Ellis Island, where they take them to the station, and then they are transported to the various railroad terminals.

With that statement, Mr. Chairman, we are through, and again I thank you very heartily for the hearing that you have given us.

The CHAIRMAN. The committee is very glad to have had the views of these gentlemen upon this subject. You are the first representatives of the interests affected by this language to be heard, and the subject that you have been discussing are subjects that have not as yet been discussed by the committee. For that reason, we are more especially pleased to have had you address us.

Mr. SQUIERS. Mr. Chairman, may I, if I desire, submit within the next 24 hours a short memorandum to go into the record?

The CHAIRMAN. Yes; anything that you desire to state in addition, bearing upon the question, you may prepare and hand to the stenographer.

Senator SIMMONS. The following letter will be inserted in the record:

BOSTON, June 2, 1916.

Hon. JOSHUA W. ALEXANDER,
Chairman Committee on Merchant Marine and Fisheries,
House of Representatives.

DEAR MR. ALEXANDER: Owing to the number of things which accumulated during my absence to South America, which required immediate attention on my return home, I have just had an opportunity to get a look at the shipping bill, in its present form, and I want to congratulate you on the progress made and the present status of the measure. In the main, I think it is in excellent shape, and I hope it is going to go through the Senate promptly.

As you know, I have never been enthusiastic over the question of Government ownership and operation if there was any other way out. My feeling about it has been exactly the same as your own, but I want to say that as a result of what I saw and heard in South America, I am convinced that it will be long years before private interests will ever undertake the establishment, especially of the fast lines, which are needed in South American countries.

These lines are vital to us if we are going to hold and develop our business, and we should have them at the earliest possible moment. I therefore hope that the bill is going to go through the Senate without delay. What do you consider the prospect is there?

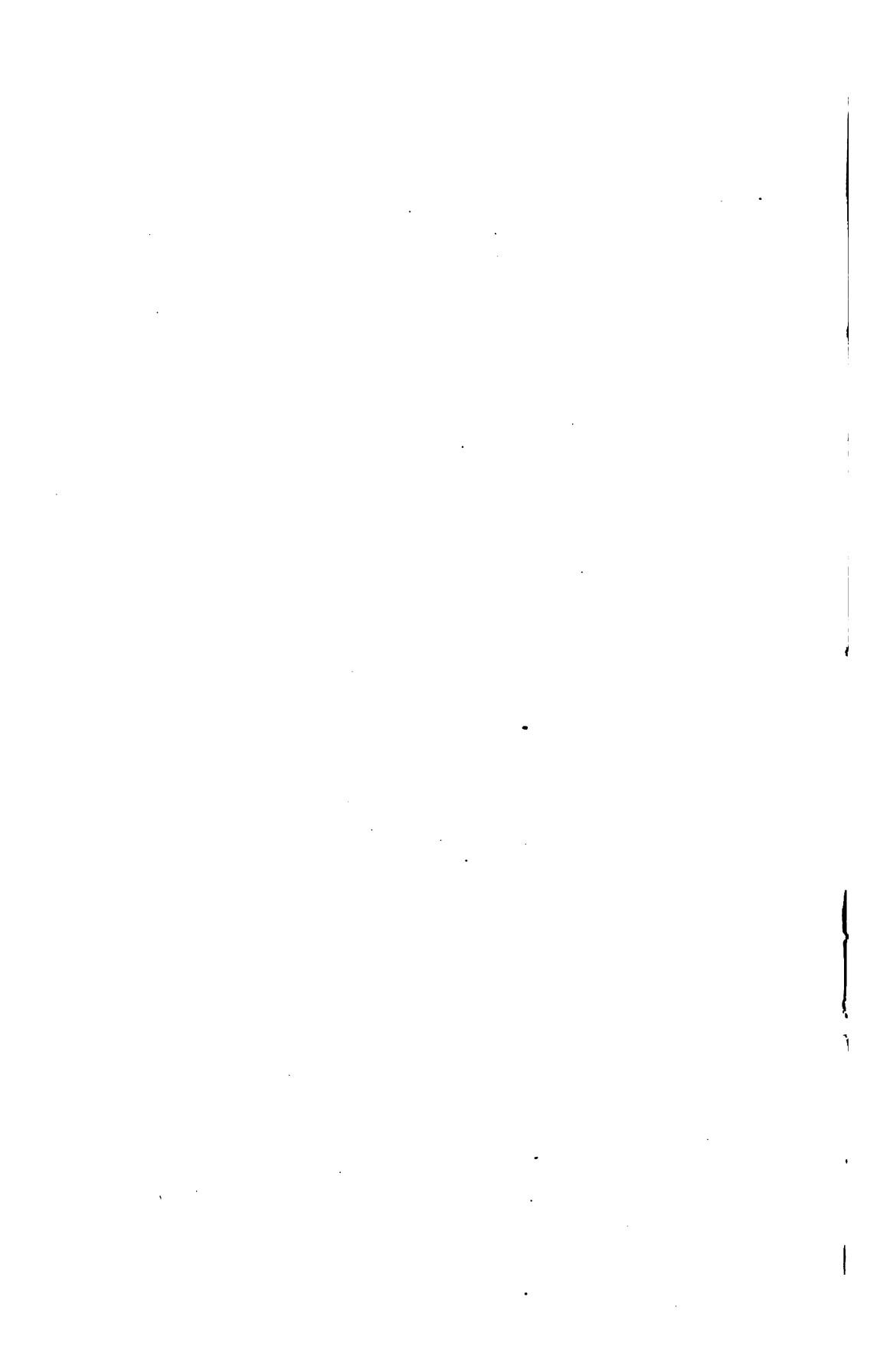
By the way, I would like very much to have a complete set of the hearings before your committee on the bill. Can you have them sent to me?

With much appreciation of your personal work in advancing the cause of our merchant marine, and with best wishes, I am,

Sincerely, yours,

JOHN H. FAHEY.

(The committee thereupon adjourned pursuant to the call of the chairman.)



CREATING A SHIPPING BOARD, A NAVAL AUXILIARY, AND A MERCHANT MARINE.

THURSDAY, JUNE 22, 1916.

UNITED STATES SENATE,
COMMITTEE ON COMMERCE,
Washington, D. C.

The subcommittee met in the committee room, Capital, at 12.15 p. m. pursuant to adjournment, Senator F. M. Simmons presiding.

Present: Senators Simmons (chairman), Fletcher, Jones, Lippitt, and Bankhead.

Also present: Senator Ransdell, Mr. M. J. Sanders.

The subcommittee resumed the consideration of the bill (H. R. 15455) to establish a United States shipping board for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve and a merchant marine to meet the requirements of the commerce of the United States with its Territories and possessions and with foreign countries; to regulate carriers by water engaged in the foreign and interstate commerce of the United States; and for other purposes.

The CHAIRMAN. Gentlemen, Admiral Benson is here, and Mr. Chamberlain, Commissioner of Navigation. Senator Jones, you especially requested that some one from the Navy Department and some one from the Department of Commerce should appear before the subcommittee. We will hear Admiral Benson first.

STATEMENT OF REAR ADMIRAL W. F. BENSON, CHIEF OF NAVAL OPERATIONS, NAVY DEPARTMENT, WASHINGTON, D. C.

The CHAIRMAN. You may give your connection with the Navy Department first.

Admiral BENSON. I am Chief of Naval Operations, Navy Department, Washington, D. C.

Senator JONES. Admiral, what is meant by naval auxiliaries?

Admiral BENSON. A naval auxiliary is a vessel that is used for furnishing repairs to the fleet or any portion of the fleet, or providing it with equipment, provisions, ammunition, or anything else that would be of assistance in any way, or to transport men or marines to any particular locality, arms or fuel, everything connected with the supplying of a naval force would be called an auxiliary. In other words, a vessel that is needed in connection with the management of a fleet, one that is not a fighting unit, a hospital ship, for instance, as well as a transport.

Senator JONES. What is meant by a naval reserve?

Admiral BENSON. A naval reserve is a force that is organized to such an extent and under such control that in case of need the Government could demand its services in connection with the fleet.

Senator JONES. That is, you do not consider a naval reserve as vessels actively in the employment of the Government all the time, but such vessels as the Government may call for in case of necessity?

Admiral BENSON. As regards a vessel, for instance, we have a number of the older battleships that are kept in reserve. That is also a part of our reserve forces. Ordinarily in speaking of a naval reserve, we mean a force of vessels, both personnel and material that we are sure that we can call on and have the call responded to in case of need.

Senator JONES. The title of this act, for instance, is, "To establish a United States shipping board, for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve." What would you understand the words, "naval reserve," there to mean or include?

Admiral BENSON. I should think it would mean, in that connection, a type of vessels that would ordinarily be used in supplying and keeping the fleet going, under such control that the Government could demand and have their services in case of need. The difference or distinction that I am trying to make is this: For instance, an ordinary vessel we might not be able to get except by condemnation proceedings; but what we want is to be sure that there is a certain force that in time of need the Government can demand and have the services of it.

Senator JONES. What would you understand to be the difference within the meaning of this title here between "naval auxiliary" and "naval reserve"?

Admiral BENSON. Well, I should not think there would be any real difference. I think the distinction that is intended to be conveyed there is, just as I say, that it is a force, or a collection of certain types, that would be needed in time of war, that when called upon would have to respond, and of such a type that we will know they will be ready for use when we want them.

Senator JONES. Would you consider that a naval auxiliary vessel was a vessel probably owned by the Government and to be used for the purposes that you have described, and that a naval reserve was a vessel probably owned by private parties which can be taken in case of need?

Admiral BENSON. In case of need—of course we use the word "reserve" for personnel as well as ships, you understand, but as I understand your question it means a vessel.

Senator JONES. All I want to get at is the meaning within the terms of this act which we are considering.

Admiral BENSON. I think this act takes both vessel and personnel.

Senator JONES. I remember there is a section within the bill that refers to a naval reserve.

Admiral BENSON. But I think the term would apply to both, according to my understanding.

Senator JONES. What naval auxiliaries have we now?

Admiral BENSON. We have quite a good many colliers and oil vessels as well. We have, for instance, some larger colliers that simply carry coal. We have one or two that carry coal and oil as well, and certain other stores, and we have some that carry only oil. Our latest ships use oil as fuel, so that we are now building more oil

vessels than colliers. In fact, we have practically stopped building colliers. Then we want them for carrying provisions. For instance, we have now three ships—one on the Pacific and two on this coast—that are refrigerating ships that carry large supplies of fresh beef and other provisions. They keep the fleet supplied with fresh provisions. For instance, when in the West Indies or on the Mexican coast, or wherever they happen to be, these vessels are filled with provisions, and we keep them with the fleet, and the men are supplied with just as good food down there as they would be anywhere else. Then, in addition to that, we have on the west coast one, on this coast we have two, transports that would be used for carrying marines or carrying men or for any purpose of that kind.

Senator JONES. What is the tonnage of these transports?

Admiral BENSON. They vary from about 6,500 to about 10,000 tons.

Senator JONES. What is their speed?

Admiral BENSON. We are using as transports now some of the older vessels that we got when the Spanish War broke out and they will not average more than from 12 to 14 knots. We have just built a transport which was launched last Saturday from the Philadelphia yards—a 10,000-ton transport—and her speed is 14 knots.

Senator JONES. You built that transport at the navy yard?

Admiral BENSON. We built that transport at the navy yard at Philadelphia, and it was launched last Saturday.

Senator JONES. What was the cost of that vessel?

Admiral BENSON. The amount appropriated was \$1,850,000, and the yard agreed to build it for about \$1,349,569.99, and I was told at the launching the other day that they were quite within the yard estimate.

Senator JONES. And you say it is about 10,000 tons capacity?

Admiral BENSON. Ten thousand tons, and probably will carry 2,000 men.

Senator JONES. That is a vessel fitted especially for transporting men?

Admiral BENSON. Yes; it is a marine transport; it will carry a regiment or more of marines.

Senator JONES. Would it be suitable for commercial purposes?

Admiral BENSON. Yes; it would, with certain minor changes, I should say it would be suitable for such purposes.

Senator JONES. How many vessels like that have you?

Admiral BENSON. That is the only one we have so far. We have on this coast the *Hancock*, which was the pioneer vessel in the Guion Line. It was the *Arizona*, and she made her maiden trip in 1879, and she was bought when the Spanish war broke out, and since that time has been used as a marine transport—not at first, but in recent years she has been used as a marine transport.

Senator JONES. And she is now in use?

Admiral BENSON. She is now down at Santo Domingo with orders to go to Mexico.

Senator JONES. What is her tonnage?

Admiral BENSON. I think she is about 12,000 tons.

Senator JONES. What is her speed?

Admiral BENSON. About 13 knots.

Senator JONES. Is she in pretty good condition?

Admiral BENSON. Very good condition; yes, sir.

Senator JONES. Do you think she will be available for some years yet?

Admiral BENSON. I think she is good for 10 years yet.

Senator JONES. So that this idea that ships should go to the boneyard in 20 years is not correct?

Admiral BENSON. Well, I do not think there are very many of them that go there in 20 years. The 20-year idea that prevails in the Navy applies to fighting ships, I think, and is more due to the fact of the changes in the character of warfare.

Senator JONES. I had in mind merchant ships when I asked the question.

Admiral BENSON. This ship made her maiden trip in 1879. I saw her in Liverpool Harbor the first day in June, 1879. She left Liverpool—I left there on the same day.

Senator JONES. And you think she is good for 10 years yet?

Admiral BENSON. I think she is good for 10 years yet; yes, sir.

Senator LIPPITT. Has she had any power removed or replaced?

Admiral BENSON. She has cost a great deal for repairs and all that, but I do not know very much more than an ordinary ship.

Senator LIPPITT. I mean is she still running with the original engine?

Admiral BENSON. Practically the same motive power. The same shafting, you know.

Senator LIPPITT. You said with some minor changes a vessel like that could be used for commercial purposes?

Admiral BENSON. I meant the internal arrangements—bulkheads, and things like that.

Senator LIPPITT. Is she not fitted up with berths—something of that sort?

Admiral BENSON. They have arrangements for putting them in. There were special arrangements. For instance, a marine transport, the one we are building, the *Henderson*, we fitted her for carrying horses and things of that kind. Now, in order to utilize that vessel for marine purposes there would have to be certain changes in bulkheads and internal arrangements, and that is what I referred to in regard to minor changes and alterations.

Senator LIPPITT. I wondered what those minor changes were. "Minor changes" is sometimes a pretty elastic expression.

Admiral BENSON. It would be more or less expensive to make those changes, of course, if you are going to use the vessel.

Senator LIPPITT. It would not be practicable to take such a vessel and use her for commercial purposes six months and in the next six months for transport purposes, would it?

Admiral BENSON. It would not be satisfactory.

Senator LIPPITT. She would practically have to be given over to commercial purposes or to transport purposes for some considerable time, would she not?

Admiral BENSON. I should say so; yes, sir; at least a year. But at the same time I do not think it is an insuperable difficulty at all. I think in case of necessity it could be quickly done.

Senator JONES. What tonnage are these coal vessels?

Admiral BENSON. Some of them carry 7,500 tons of cargo and some carry 12,500 tons; the later ones carry 12,500 tons of coal.

Senator JONES. What is their speed?

Admiral BENSON. They make about 14 knots. They can be driven at about 14 knots.

Senator JONES. Where were they built?

Admiral BENSON. The most of them were built at Baltimore—at Sparrows Point.

Senator JONES. That is a private company, is it not?

Admiral BENSON. That is a private company at Sparrows Point. It was formerly the Maryland Steel Co., and the Pennsylvania Steel Co. has just taken it over. They have been very successful in building those vessels.

Senator JONES. About what do the 12,000-ton coal vessel cost?

Admiral BENSON. Between \$900,000 and \$1,200,000.

Senator LIPPITT. Is that not much cheaper, relatively, than the cost of that vessel you were just speaking about—that transport?

Admiral BENSON. If those figures are correct, it would be; but the transport, of course, has little different fittings than a collier. You mean the *Hancock*?

Senator LIPPITT. Yes; you were describing the transport as costing about \$1,350,000.

Admiral BENSON. That is my recollection.

Senator LIPPITT. Of what tonnage is she?

Admiral BENSON. Ten thousand tons.

Senator LIPPITT. And this other vessel is 10,000 tons and cost \$1,500,000?

Admiral BENSON. I am not sure about the figures; in fact, I am rather hazy about the figures.

Senator LIPPITT. Could you have it put into your testimony?

Admiral BENSON. Yes, sir; I shall be very glad to have that put in and give the data exactly.

Lieut. McCANDLESS. The 12,500 tons is the coal-carrying capacity of the collier—cargo and bunker fuel.

Admiral BENSON. Eighteen thousand to twenty thousand tons.

Mr. CHAMBERLAIN. That would be displacement, would it not? You are figuring on displacement, are you not?

Admiral BENSON. I am speaking of displacement; yes, sir.

Mr. CHAMBERLAIN. May I interrupt just one moment?

The CHAIRMAN. Yes, sir.

Mr. CHAMBERLAIN. In merchant shipping we usually count on gross tonnage, and I think these gentlemen have the idea of gross tonnage in mind. That collier, I suppose, would be about 8,000 tons to carry 12,500 tons. As I say, there is a chance for confusion.

Senator FLETCHER. Battleships and cruisers are measured by displacement, and other ships—

Mr. CHAMBERLAIN. Other ships by cubical capacity. That ship you were just speaking about would have to be approximately 8,000 tons gross to carry about 12,500 tons of coal.

Senator LIPPITT. What would be the size of the transport?

Mr. CHAMBERLAIN. I do not know, but the *Arizona*, as I recall, could not have been more than an 8,000-ton ship, 8,000 tons gross.

Admiral BENSON. I have been speaking of displacement altogether, because I am so accustomed to speaking of displacement; the other point did not occur to me. But even at that your point is quite well

taken, because a ship carrying 12,000 tons of coal would have a displacement of something like 18,000 or 19,000 tons, because the displacement is the weight she displaced in the water, and this other vessel is only supposed to displace 10,000 tons. A collier carrying 12,500 tons of coal would be very much larger than the Henderson, which displaces only 10,000 tons. As I understand you were trying to get at the relative cost of the size of the ship. Colliers carrying 12,500 tons coal displace from 19,080 to 19,480 tons and cost between \$900,000 and \$1,200,000. The estimated cost of the 10,000-ton transport is \$1,349,569.99. The *Hancock* displaces 8,500 tons.

Senator LIPPITT. That point just struck me as you proceeded.

Admiral BENSON. I can put that in my hearing and make it very clear. I think I understand what you want.

Senator FLETCHER. That might be due somewhat to the different arrangement of the interior of the ships?

Admiral BENSON. That makes a great deal of difference.

Senator LIPPITT. Then we come back to that question I asked a while ago, about the ease of changing a transport over to commercial purposes. Of course, if there is that great difference in original cost due to the difference in fittings, then it would be very expensive to change the transport back to a collier and to a transport again, would it not?

Admiral BENSON. It would be more or less expensive, of course.

Senator JONES. This coal-carrying ship, would that be suitable for commercial coal carrying, without any material changes?

Admiral BENSON. Without any at all.

Senator JONES. So that ship could be converted into a commercial ship for the purposes of coal carrying without any expense?

Admiral BENSON. There would be no change at all.

Senator LIPPITT. It would be suitable for grain carrying, too, I suppose?

Admiral BENSON. Yes; of course, it could carry anything in bulk in that way, anything at all.

Senator JONES. The main thing I wanted to get at was the condition of the Navy now with reference to these auxiliary ships. Have you all that you need for the present condition of the Navy?

Admiral BENSON. For the present size of the fleet, we should have at least another hospital ship. We have two, but one is practically out of use altogether, out in the Philippines at present.

Senator JONES. You would need that hospital ship all the time in connection with the Navy, would you?

Admiral BENSON. We need that all the time. In fact, we need two of them and there is one that is appropriated for in the House bill, in the Navy bill that passed the House.

Senator JONES. If that one is provided for, will that be all you need for the Navy as it is now?

Admiral BENSON. For the immediate needs, but we shall need another one practically by the time that one is completed at the rate we are building.

Senator JONES. What I was going to ask you, if the program is carried out as apparently contemplated now, even as the House bill provides, in addition to the hospital ship that it provides, would you need another hospital ship?

Admiral BENSON. I think we should.

Senator JONES. Or more than one?

Admiral BENSON. No; I do not think so.

Senator JONES. What is the tonnage of that ship?

Admiral BENSON. She will be in the neighborhood of 10,000 tons.

Senator JONES. What is the estimated cost?

Admiral BENSON. I think it is in the neighborhood of \$2,500,000 to \$3,000,000—not to exceed \$2,350,000.

Senator JONES. So that under the present program, in addition to what is already provided, you need another ship costing \$2,000,000 or \$3,000,000?

Admiral BENSON. We need another hospital ship; yes, sir.

Senator LIPPITT. In your testimony before the House you say you need four hospital ships?

Admiral BENSON. Well, eventually we shall need them for the use of the fleet, but as I understood the question it referred to the immediate need, the need of the fleet now.

Senator LIPPITT. This list that you have here is what you would need under what conditions. When the fleet is built up to some particular size?

Admiral BENSON. When the fleet is built up and the vessels we have even now are fully manned, but as we have the fleet manned now, with the one we have, the *Solace*, on this coast, and the one that is contracted for, I think we would need one more.

The CHAIRMAN. Admiral, you are speaking now about the needs of the Navy in times of peace?

Admiral BENSON. In times of peace; exactly, sir.

The CHAIRMAN. Two hospital ships would be needed in times of peace?

Admiral BENSON. We need at least two of them, one on each coast, but I figure that in time of war we should have two on each coast. But I think with the fleet manned as it is now we could get along with one more.

The CHAIRMAN. That is, one on each coast?

Admiral BENSON. And this one that is here now that could be used as planned.

Senator JONES. Suppose we get five battle cruisers and two dreadnaughts and the others provided for in the bill that is now pending. By the time they are constructed and commissioned and manned, what additional hospital ships would we need in time of peace?

Admiral BENSON. I think we need one more in addition to the one provided for.

Senator JONES. And in time of war how many would we need?

Admiral BENSON. Well, as I say, we should want at least two on each coast.

Senator JONES. How many more would that be, two more?

Admiral BENSON. That would be one more. It would be two ordered. I say we would need one more and, of course, for complete service, we would need two more; that is, making two on each coast.

Senator JONES. What other auxiliary ships do we need for the Navy as it is now?

Admiral BENSON. Just as it is now, we need, for instance, I got a request to-day from an officer who has charge of the handling of the coal and supplies, a request asking for two more colliers. And as to

the refrigerating ships that we have, we have received reports within the last few weeks—we have had the two ships inspected by the inspection board—and the report is that the ships off this coast, both the *Culgoa* and the *Celtic*, the report is that they are in very unsatisfactory condition and liable to give away at any time, and I think all the refrigerating ships we have ought to be replaced; that is, we should have at least three refrigerating ships.

Senator JONES. What would be their tonnage and speed?

Admiral BENSON. The ones we are using now I think are about 7,500 tons. I have here a complete list of every type of vessel that we would need for the fleet when—

Senator JONES. I want to get this first, Admiral, along the line I am talking about now. I want to know what we need with the Navy as it is now.

Admiral BENSON. We ought to have three more refrigerating ships, sir, to replace these old ones. The old ones, you understand, are answering the purpose all right as the fleet is now—that is, we have the *Celtic* and the *Culgoa* on this coast and the *Glacier* on the west coast—they are answering the purposes very satisfactorily. For instance, the two on this coast, they can break joints, in their repairs, and we have managed to get along very well with them, but those three should be replaced at an early date. In other words, as I understand your question, we should have at least three good refrigerating ships in time of peace with the fleet.

Senator JONES. With the fleet as it is now?

Admiral BENSON. As it is now; yes, sir.

Senator JONES. And you need those right away.

Admiral BENSON. We need those; yes, we do.

Senator JONES. What would be the cost of those ships?

Admiral BENSON. I should imagine, with their refrigerating plants, they would cost probably \$1,500,000 apiece.

Senator JONES. That would be \$4,500,000. Are those ships very similar to the refrigerating ships used commercially?

Admiral BENSON. Yes, sir.

Senator JONES. And you could take commercial ships?

Admiral BENSON. We could take commercial ships.

Senator JONES. Or you could convert these into commercial ships?

Admiral BENSON. We could do the same thing, sir.

Senator JONES. About what is their speed, that is if you had them replaced, the new ships?

Admiral BENSON. They ought to have about 14 knots speed.

Senator LIPPITT. When you say these need to be replaced, do you mean the trouble is with the refrigerating apparatus or with the ships themselves?

Admiral BENSON. Well, the ships are getting old and the fittings are old, and I do not think it would pay to install a new refrigerating plant in these old ships, and if the refrigerating plant gives out with a large supply of fresh meat on hand in the Tropics, you lose the whole supply of meat.

Senator LIPPITT. How expensive is the cost of the refrigerating plant as compared with the cost of the ship? You say they cost \$1,500,000. What proportion of it would be chargeable to the refrigerating apparatus?

Admiral BENSON. I could not give you that. I will put it in my hearing. I think it would be quite expensive. Cost of refrigerating plant would be \$17, 650.

Senator JONES. Are any of these three ships provided for in the naval bill that is now pending?

Admiral BENSON. I do not think so.

Senator JONES. What other ships does the Navy need as it is now, as naval auxiliaries?

Admiral BENSON. It should have at least one or two ammunition ships to supply ammunition to the fleet. That is not such a great necessity with the fleet as it is now, because the ships are moved in such a way that they can always get their supply of ammunition from the naval stations, and of course as they come north and go south they replenish their supply of ammunition at the home yards.

Senator JONES. I want to get at the ships that you consider really necessary for the fleet as auxiliaries now.

Admiral BENSON. Well, I think we ought to have at least two more colliers.

Senator JONES. What would be their size and speed?

Admiral BENSON. They ought to be large enough to carry 12,000 tons of coal and ought to make 14 knots.

Senator LIPPITT. Why do you say such large vessels as 12,000 tons. Is that not pretty large for a collier?

Admiral BENSON. Well, it is a very handy size and it is very much more economical to carry a large supply, it costs very little more to carry 12,000 tons of coal than it does 5,000 or 6,000, and when you get there you have got the proper supply.

Senator LIPPITT. Are the commercial colliers built up to that size ordinarily?

Admiral BENSON. I do not think they are.

Senator LIPPITT. It is rather unusual, is it not, to find a commercial collier of any such size as that?

Admiral BENSON. I think it is.

Senator LIPPITT. Would a vessel carrying that amount of coal find an easy opportunity to use it commercially?

Admiral BENSON. I should think so. I can see no reason why she should not.

Senator LIPPITT. I suppose she could be used abroad?

Admiral BENSON. Carrying coal from one State to another or from one country to another.

Senator LIPPITT. She could not be used on the coast very much, I fancy?

Admiral BENSON. We are using our colliers a great deal on the coast during this trouble.

Senator LIPPITT. I mean commercially.

Admiral BENSON. I mean to say if we can use them for our purposes, I do not see any reason why they should not be used commercially. We carry coal from the mines down here, or rather from Hampton Roads—

Senator LIPPITT. I doubt whether the terminal facilities for handling and taking care of coal in many places have a capacity for such a large amount coming in at any one time.

Admiral BENSON. That may be. That is a point I am not prepared to discuss.

Senator JONES. You say you need these ships now. How are you getting along without them?

Admiral BENSON. When I say we need them, I think we would be in very much better condition if we had them. Of course, we could get along without anything for that matter, but what I mean is we would be in very much more efficient condition and better prepared to supply the fleet and do the work that the colliers are supposed to do. They are kept going very steadily and very hard all the time. For instance, just at this time we have been a little pushed; we have had to supply our navy yards with coal on account of the difficulty with the railroads; we have been supplying the stations along the coast with coal this summer, and, in addition, we are utilizing one of our colliers to carry some rails up to Alaska for that railroad that is being built up there. We are sending coal out to the Philippines to supply the station out there, and we are keeping a cruiser—for awhile we had several cruisers—in the Mediterranean, and we had to keep them supplied with coal.

Senator JONES. You have done all that with the colliers you have?

Admiral BENSON. With only what we have.

Senator LIPPITT. Such a use of these ships as supplying rails to Alaska is scarcely legitimate business of the Navy. What do they pay you for that?

Admiral BENSON. They pay the expense of the collier during the time she is being used for this purpose.

Senator LIPPITT. They pay the running expenses only?

Admiral BENSON. They pay the running expenses. We do not get anything else except the actual expenses.

Senator LIPPITT. It is very interesting as a sidelight on the Government cost of building railroads. I do not know how they charge those rails up in Alaska on that railroad.

Senator BANKHEAD. It does not make any difference how you charge them up; it is our railroad and our colliers.

Admiral BENSON. They can not get the ships and we are straining a point to provide the transportation, but we are working at what I consider and what I believe would ordinarily be considered an unnecessary strain on the resources that we have.

Senator BANKHEAD. I understood you to say a while ago that you are using much more oil all the while.

Admiral BENSON. Yes, sir.

Senator BANKHEAD. And that you contemplate still further increasing your oil use?

Admiral BENSON. Yes, sir.

Senator BANKHEAD. In that case, you want more oil ships, do you not?

Admiral BENSON. Yes, sir; I was coming to that. We do need more oil ships. I was explaining the needs of the two colliers and later on was coming to the oil ships. A good many of the colliers we have been using are old merchant ships that were bought during the Spanish-American War; we have been using these for colliers and they are gradually wearing out, and we do not consider the smaller colliers—and that is what these smaller ones are, carrying from 2,500 to 4,000 tons of coal—we do not consider them as economic colliers, and, as I say, they are wearing out. My estimate is that about two more good large colliers would put us in good position to handle the

coal proposition and gradually do away with these smaller vessels. For instance, assuming that this bill should pass and they should want those smaller colliers for this purpose, it would be very much more economical for the Government to turn them over to this board and let us have the two big colliers for our purposes, because we do find it is very much better to use the large colliers.

The CHAIRMAN. They are more economical to keep?

Admiral BENSON. Yes, sir; we consider them more economical.

Senator LIPPITT. They are more economical if kept in constant service?

Admiral BENSON. Yes, sir.

Senator LIPPITT. Of course if they have a large number of lay days between the shipments, why, you lose a large part of that economy?

Admiral BENSON. Yes, sir; of course they cost more and you would lose the interest on the money.

Senator LIPPITT. And you have to keep the crew on board all the time, of course?

Admiral BENSON. Yes, sir.

Senator LIPPITT. Where do you run those colliers; up to Bradford and places like that?

Admiral BENSON. To Bradford. For instance, we get the coal down here at Norfolk and it is carried, of course, to New Hampshire, Boston, Bradford, and to the fleet.

Senator LIPPITT. And so you keep the transports constantly going?

Admiral BENSON. We keep them going all the time. We are very hard put to supply the demand. As I said just now I believe we are working our utilities to the fullest capacity.

Senator LIPPITT. Are those fitted to coal at sea?

Admiral BENSON. No; they are not fitted to coal at sea. We have one fitted with a coaling apparatus that we are experimenting with, but only one.

Senator FLETCHER. Are they used to take coal to Colon, or is that carried by the Panama Railroad?

Admiral BENSON. The Panama Railroad Co., and then we did carry some coal for the Panama. We agreed to take down, as I remember the figures, about 45,000 tons, and I do not know just how much of that we have taken down, but we agreed we would try and take that down for them. For instance, there are certain periods when the fleet, as it is now, the battleships operating off the north coast, can get their coal if necessary at the various yards and stations. It is very much better for them than to get it from the colliers, because it interferes less with their drills and exercises, but in order to meet the demand we can and have tried to meet it in that way.

Senator LIPPITT. Would those regular colliers discharge right on board?

Admiral BENSON. They would go right alongside and pick coal right out of the hole and put it on deck of the battleship.

Senator LIPPITT. How is that done?

Admiral BENSON. By regular clam-shell scoops. Just like an ordinary clam-shell dredge. It is dropped right in the hole and whipped up and then with the outriggers run out, and it is dumped right on the deck.

Senator LIPPITT. And then how does it get into the bunkers?

Admiral BENSON. The bunker plate is on the deck, and there are chutes leading right down into the bunkers. For instance, as an example of what can be done with a collier alongside, when I was in command of the *Utah* we took a collier on each side, just as an experiment, and, as I remember the figures, we got in about 500 tons of coal in about 35 minutes, or something of that sort.

The CHAIRMAN. In how long?

Admiral BENSON. In about 35 minutes.

Senator BANKHEAD. You have to have pretty smooth sea to coal in that way, do you not?

Admiral BENSON. Yes, sir.

Senator LIPPITT. This coaling is done in a harbor, is it not?

Admiral BENSON. Of course there are places where you could get under the lee of the land where you might coal, but as a rule we do not attempt to coal at sea.

Senator LIPPITT. As a rule, you do not attempt to coal at sea?

Admiral BENSON. No, sir; we are not prepared to do it.

Senator JONES. What other ships do you need for the Navy as it is now?

Admiral BENSON. We ought to have, in order to meet the demands of the fleet as these new ships come on—

Senator JONES. I do not want to get into that yet, Admiral. The Navy as it is now.

Admiral BENSON. As it is now, to-day?

Senator JONES. Yes, sir.

Admiral BENSON. I do not think we need any.

Senator JONES. I wanted to get at that first.

Senator LIPPITT. Except oil ships.

Admiral BENSON. I mean I think we could get along with the oil ships as the fleet is now, but that is a question that will remain to be decided, because within the last month we have put in commission three superdreadnaughts that use oil, and it is really the first attempt. They are the *Nevada*, the *Oklahoma*, and the *Pennsylvania*, and just what the demands are going to be it is a little difficult to tell just now, but I think very likely we could handle that situation with the fuel ships we have on hand now.

Senator JONES. Can you state about the tonnage of the auxiliary ships you think you would really need for the Navy as it is now?

(The following was submitted by Admiral Benson:)

	Tons.
2 colliers	38,000
2 hospital ships.....	20,000
2 supply ships.....	17,000
1 ammunition ship.....	12,000
	<hr/> 87,000

Admiral BENSON. In peace times?

Senator JONES. Yes, sir.

The CHAIRMAN. The Navy at its present size?

Senator JONES. That is what I mean, at its present size, in peace times.

Senator LIPPITT. The admiral has already answered that question by saying they do not need any.

Senator JONES. They need two colliers.

Admiral BENSON. We ought to have an ammunition ship.

Senator JONES. I should like to get just the tonnage in auxiliary ships he thinks we ought to have.

Admiral BENSON. I should have to work up the displacement of the different ships. As I told you the two colliers ought to be about 12,000 tons, and they would displace about, I should say, 19,000 tons. I am working on the displacement now. You might put that at 40,000 tons for all coal.

Senator LIPPITT. They have not been provided for in the Navy bill, have they?

Admiral BENSON. No, sir; we did not ask for them.

Senator LIPPITT. Why did you not ask for them?

Admiral BENSON. One reason why I did not recommend it was because I thought just now we needed fighting ships, and if we really needed these others badly we would call on the merchant marine to supply us. I thought we could get along for the present, and if we needed them, to call on the merchant service for them.

Senator JONES. You might figure that out and put it in your testimony.

Admiral BENSON. I prefer to do that. I did not know I was coming to the committee until between 4 and 5 o'clock, and I have been pretty busy on other matters.

Senator JONES. If we were to get into trouble now and had to use all of our Navy in a fighting condition and fighting trim, what additional auxiliaries would you need, if any?

Admiral BENSON. The present Navy?

Senator JONES. With the present Navy. That is what I am talking about now.

The CHAIRMAN. That is, you want to get at the difference between the requirements in case of war and the requirements in case of peace with the same amount of ships?

Senator JONES. Yes, sir.

Admiral BENSON. Might I just explain what I have done here so the committee will understand the basis on which I am figuring. One of the things I did soon after taking charge of the office of operation, we submitted to the general board that we wanted to know just how many vessels of various types that we would need in order to keep the fleet going in time of war in efficient condition, and the characteristics of each type; for instance, the number required, the age, the speed, steaming radius, length, draft, displacement, fresh water capacity, supplies for crew, armament, cargo capacity, signaling apparatus, fueling facilities, special fittings, etc. That was gone into very thoroughly by the general board and I have the data here for exactly what we would need, and then to try to meet the needs a board of officers was appointed to inspect every merchant vessel that we have or that is being built, and determine which one of these types her conditions would fulfill, and what changes it would be necessary to make in order to fit it for that particular type, and that data is all being collected and put on file in the Navy Department; and in addition, the yard to which the ship would go to be fitted for this particular purpose, is designated and the plans are being made out and all the data is being supplied at these various yards, either private or navy yards, for fitting them out. The data is worked out on the score of a full sized and efficient navy.

Senator JONES. What do you mean by that?

Senator LIPPITT. You mean with your present Navy or with a bigger Navy?

Admiral BENSON. No; this is carried out to about 48 battleships.

Senator JONES. I do not want that now myself. I want this now: What additional auxiliary ships would you need if we were to get into trouble now that would require all of our Navy, our present Navy? Suppose to-morrow we should have to go to war. Now, what auxiliary ships would you need?

The CHAIRMAN. Supposing our present Navy was not adequate for the case?

Senator JONES. Of course, if it is adequate, we do not need any more. If it is not adequate, we do.

Admiral BENSON. I am not prepared to tell you right off just what we do need with the ships we have at present.

Senator LIPPITT. Would it be much trouble to secure and present that information?

Admiral BENSON. No; I could work that out. For instance, it would depend a good deal on the nation we went to war with. A great many elements are involved in a question of this kind which would make a great deal of difference. This is worked out on the most difficult campaign that we would have to carry through. For instance, if we had to cross the Pacific.

Senator LIPPITT. If you had to attack?

Admiral BENSON. Yes, sir.

Senator JONES. I will ask you to take the most difficult campaign you would possibly have.

Admiral BENSON. It is also worked out on the idea that we might have two enemies at the same time, one on the Atlantic and one on the Pacific, and we have been trying to prepare for the emergency we think most likely.

Senator JONES. I want to come to that later. At present I want to take up the Navy as it is now. Suppose we got into trouble to-morrow and had to start on the hardest possible contest with the Navy we have now, what auxiliary ships would it take?

Admiral BENSON. I should have to put that in my hearing later. I could not give it to you offhand. If I did, it would not be reliable.

Senator JONES. I should like for you to bear that in mind and give it in your direct answer to that proposition.

Admiral BENSON. I can do that and shall be very glad to do so.

Admiral Benson subsequently said:

Considering our Navy as it is to-day and having reference to its maximum usefulness and efficiency in time of war, there would be required 400 merchant vessels for auxiliaries with a total of 1,172,000 gross tonnage. In addition to the above, should our own coast be invested or even occasionally visited there would be required a large number of small vessels fitted for mine sweeping, say at least 324 of such vessels, of about 150 gross tons each.

The above vessels are divided into groups as follows:

(a) Fleet scouts:

Number required, 32.

Characteristics: Fast passenger vessels, of high speed, great steaming radius and good sea-keeping qualities. Speed not less than 16 knots. Not less than 3,000 gross tonnage.

- (b) District scouts:
Number required, 20.
Characteristics: Small coastwise steamers, good sea-keeping qualities, fair steaming radius. Speed not less than 13 knots. Gross tonnage, 1,500 to 2,000 tons.
- (c) Mine planters:
Number required, 5 large, 10 small.
Characteristics: Freight or passenger vessel with clear decks for installing tracks for mines. Speed at least 10 knots. Gross tonnage: Large, 1,500 tons; small, 900 tons.
- (d) Mine sweepers:
Number required, not less than 324.
Characteristics: Fishing vessels, trawlers of 150 gross tonnage. Speed, 10 knots. Draft not over 12 feet.
- (e) Fleet colliers:
Number required, 4.
Characteristics: Well-designed cargo hatches; independent power and separate winches for each hatch; cargo booms sufficient and well placed. Speed at least 12 knots. Steaming radius, 6,000 to 8,000 miles. Gross tonnage not less than 5,000 tons.
- (f) Service colliers:
Number required, at least 200.
Characteristics: Good facilities for discharging coal with booms and winches. Speed at least 8 knots. Gross tonnage not less than 3,000 tons.
- (g) Depot colliers:
Number required, 57.
Characteristics: Good qualities for discharging coal with booms and winches. Speed at least 8 knots. Gross tonnage not less than 3,000.
- (h) Fleet oilers (tankers):
Number required, 7.
Characteristics: Good appliances for discharging cargo. Speed as near 14 knots as possible. Gross tonnage at least 3,800 tons.
- (i) Service oilers:
Number required, 35.
Characteristics: Good towing facilities, large ballast tanks, and appliances for discharging cargo. Speed at least 8 knots. Gross tonnage at least 3,000 tons.
- (j) Depot oilers:
Number required, at least 5.
Characteristics: Good appliances for discharging cargo. Speed at least 8 knots. Gross tonnage at least 2,000.
- (k) Supply:
Number required, 6.
Characteristics: Good facilities for handling stores; refrigerating plant and cold-storage holds for meats and vegetables. Speed at least 12 knots. Gross tonnage at least 3,000 tons. Type of vessel, *Iowan*; passenger service, American-Hawaiian Steamship Co.
- (l) Transports:
Number required, 4.
Characteristics: Passenger vessels capable of carrying at least 1,000 men with their impediments. Speed at least 14 knots. Gross tonnage at least 4,000.
- (m) Repair ships:
Number required, 3.
Characteristics: Freighters with at least 50-foot beam with plenty of cargo space between decks. Speed at least 12 knots. Gross tonnage not less than 5,000.
- (n) Ammunition supply:
Number required, 8.
Characteristics: Good facilities for handling ammunition; refrigerating plant. Speed at least 13 knots. Gross tonnage at least 3,000 tons. Type of vessel: *Pastores*, United Fruit Co.
- (o) Hospital ship:
Number required, 4.
Characteristics: Passenger vessels, capable of carrying 30 sick officers and 500 sick men. Speed at least 14 knots. Gross tonnage, 6,000 tons.

(p) Mine depot:

Number required, 3.

Characteristics: Freighter with large cargo space between decks. Speed at least 14 knots. Gross tonnage at least 4,000 tons.

(q) Destroyer tenders:

Number required, 2.

Characteristics: Passenger ship with storage capacity for pay stores. Speed at least 14 knots. Gross tonnage about 3,500 tons.

(r) Submarine tenders:

Number required, 2.

Characteristics: Combination freight and passenger vessel. Speed at least 12 knots. Gross tonnage about 3,500 tons.

(s) Fleet tenders (tugs):

Number required, 4.

Characteristics: Good towing facilities, seagoing qualities. Speed at least 12 knots. Gross tonnage, 500 to 1,000 tons.

Senator JONES. Now, assuming that our naval bill goes through as it is apparently contemplated in the Senate—we know what the House has done—and suppose the Senate provides for six battle cruisers and two dreadnaughts, together with the other smaller ships. Then, what other additional auxiliary vessels would we need in time of peace?

Admiral BENSON. I should have to give you that in my hearing.

Senator LIPPITT. You would probably have to work that out at the same time with the other table?

Admiral BENSON. That is the same thing.

Senator JONES. That is the line of information I should like to get.

The CHAIRMAN. Your last question, Senator Jones, contemplates only the additional ships provided in the bill now pending before Congress?

Senator JONES. Yes, sir.

The CHAIRMAN. Do you not think you ought to follow that up by requesting that the admiral also supply you with data as to the number of additional ships that would be needed of an auxiliary character after the projected program—the five-year program—is completed?

Senator JONES. Certainly, I was going to follow it with that.

Senator LIPPITT. That is substantially what you have here, is it not, Admiral?

Admiral BENSON. Substantially so.

The CHAIRMAN. That would give you the three conditions, based upon the present Navy, based upon the Navy as it will be after the first year part of the program is finished, and based on the Navy as it will be after the five-year program is finished?

Senator JONES. Yes; in time of peace and in time of war.

The CHAIRMAN. In connection with the answer to each condition, let him put in the number in times of peace and in times of war.

Senator JONES. What would be the capacity of our navy yards to construct these auxiliary ships, taking into account what would be required of them in connection with the bill that is now pending?

Admiral BENSON. We could build one at Boston; we could build one at Mare Island—

Senator JONES. Without enumerating, just say whether you think we could take care of all the auxiliaries we need?

Admiral BENSON. I think we could take care of four.

Senator JONES. You think you could take care of all the auxiliaries?

Admiral BENSON. Yes, sir; I think we could.

Senator LIPPITT. You said, I think, that you thought you could take care of four. You want more than four, do you not?

Admiral BENSON. But only two are appropriated for under this bill, if I am not mistaken, a hospital ship and an ammunition ship and possibly one tender, I am quite sure not over four, and I think we could take care of those four.

Senator JONES. I do not think I make myself plain. I am not referring to the auxiliary ships provided for in this bill. I am referring to the auxiliary ships you think we shall need.

Admiral BENSON. We think we could take care of them in the navy yards.

Senator JONES. Take care of all our needs in the navy yards?

Admiral BENSON. Yes, sir.

The CHAIRMAN. As to the auxiliary ships?

Senator JONES. Yes.

Senator LIPPITT. By that answer do you mean all of the auxiliaries that would be needed for your Navy as it now is, or all the auxiliaries that would be needed for the Navy as proposed under the present bill before the Senate?

Admiral BENSON. I think we could look out for both, either as it is or it would be if the bill passed, as it is proposed to pass it.

The CHAIRMAN. Let me ask you one question in that connection: Assuming that we could build all of our auxiliary requirements as the Navy now is or as is provided in this bill, could the navy yards, the Government yards, construct these capital ships that are provided for in the bill contemporaneously with the construction of the auxiliaries?

Admiral BENSON. No, sir; they could not.

The CHAIRMAN. To what extent could the Government yards construct these capital ships along with the auxiliary ships that are required?

Admiral BENSON. Well, I do not think we could undertake more than two capital ships at the navy yards; take all of our yards together, I do not believe we could undertake to complete within a reasonable time more than two.

The CHAIRMAN. All the auxiliaries and two capital ships?

Admiral BENSON. Two battleships. You understand contracts have just been given out at New York and Mare Island, for Nos. 43 and 44, and the keels of those two ships will be laid probably within a couple of months now, six weeks or two months, and in addition to those two, I do not think we could possibly look out for more than two capital ships in our navy yards of the present appropriation bill. That is your question, is it not?

The CHAIRMAN. Yes.

Senator JONES. Do you think there would be ample private yard facilities and Government naval yard facilities to take care of all the naval construction provided in the pending bill in any reasonable time, within the time you think it ought to be done, and also the naval auxiliaries you think we would need?

Admiral BENSON. I really have some question in my mind in regard to that, sir. They could do it, of course, but all of the ship-building plants are very full of work, and in order to take up this work at once they would probably have to lay aside some of their other work or delay the work on the Government contracts, and whether then can handle all these ships immediately there is some question in my mind. Of course if they could do it they probably

would make their own prices in doing it; they would have to build additional ways and equipment to accomplish it.

Senator JONES. Do you not think the result would probably be that we could not build so many of these auxiliaries in our navy yards, but have to use our navy yards in the construction of the ships provided in this naval bill?

Admiral BENSON. That would be my idea. I was trying to answer your question, Senator, as to what we could do.

Senator JONES. I put the condition in my question of taking care of this construction in the bill.

Admiral BENSON. I said we could take care of two battleships and the auxiliary ships.

Senator JONES. But I was not asking about and do not care anything about the battleships myself. I supposed you would take care of that. I supposed the Navy would take care of the construction of the vessels provided in this naval bill; that would be the first consideration. Now, I want to know whether you have facilities, after taking care of this, to build these naval auxiliaries.

Senator LIPPITT. The admiral, as I understand, does not believe the Navy could build all the capital ships provided for in this bill; do you?

Admiral BENSON. I do not.

Senator JONES. I did not suppose so, but you could take care of them in the navy yards and private yards?

Admiral BENSON. I do not think we could handle more than two capital ships, and I think we could handle also all auxiliary ships we would need.

Senator LIPPITT. That answers your question, Senator Jones?

Senator JONES. It does not answer it yet, because I have not in mind taking care of the battleships, except I assume the Navy will do that. Assuming you will do that, with the facilities in the navy yards and in the private yards, would you still have facilities in the navy yards to take care of these naval auxiliaries?

Admiral BENSON. I think we would, sir.

Senator JONES. That was your first answer, but I thought you qualified it later.

Admiral BENSON. As I said, we can only, under any circumstances, undertake two capital ships, and I think we can undertake those two capital ships, and, at the same time, look out for some auxiliaries we need.

Senator FLETCHER. You mean in the naval yards?

Admiral BENSON. Yes, sir.

Senator BANKHEAD. By capital ships you mean—

Admiral BENSON. Battleships or battle cruisers.

Senator BANKHEAD. There are six of those in the bill?

Admiral BENSON. Five.

Senator BANKHEAD. If you could only take care of two of these battleships, what are you going to do with the other four?

Admiral BENSON. Provide for them in private yards.

The CHAIRMAN. It would be three others, under the present bill.

Senator LIPPITT. A minute ago you were going to give us a list of the private yards that could build capital ships.

Admiral BENSON. Yes, sir; this is the data we get from these ship-builders, which of course we have got to accept. The first is from

the Newport News Shipbuilding & Drydock Co. They can build one battleship or they can build one battle cruiser. That is, they can build one capital ship and one scout ship and two destroyers.

The Bath Island Works could build four destroyers.

The New York Shipbuilding Co., at Camden, N. J., could build one battle cruiser and one battleship. That is two capital ships. Or they could build one battle cruiser and one or two scout ships.

Senator LIPPITT. Do they give the time of delivery in each case?

Admiral BENSON. The New York Shipbuilding Co. have not given the time. No, sir; they do not give the time. The others have ont, either.

Senator FLETCHER. That means, though, they are ready to go right at it?

Admiral BENSON. Yes, sir. For instance, the Newport News Shipbuilding Co. would begin work on a battle cruiser eight months after they got the contract.

The New York Shipbuilding Co., you understand, could build two capital ships and one or two scouts.

As you will remember, I think, there are four or six scout cruisers asked for in the bill, so they would have to be provided for; and there are a lot of destroyers.

The Bethlehem Steel Co., at South Bethlehem, Pa., say they can build two battleships or battle cruisers. The time is 38 months; or they could build four scout cruisers to be completed in 32 months, or eight destroyers to be delivered in 24 months. Submarines, any quantity, to begin 16 months, small type, and 26 months for the larger. For instance, they were asked about putting aside private contracts. As I said just now that question would come in. They could lay down, within six months, two battleships or one battleship and one battle cruiser.

The Bath Iron Works Co. could build four destroyers.

The William Cramps Yard could build two battleships and one battle cruiser, not to exceed 850 feet in length, and two scout ships and four destroyers.

Senator JONES. That is, they could take care of three capital ships?

Admiral BENSON. They could take care of throe, two battleships and one battle cruiser.

Senator LIPPITT. Will the battleship or the cruiser exceed 850 feet?

Admiral BENSON. No; they will be approximately that length.

The CHAIRMAN. Is that all?

Admiral BENSON. I think those include all the companies.

Lieut. McCANDLESS. The Bethlehem companies are all bunched.

Admiral BENSON. You asked me the question just now whether they could all do it. That indicates they could, and that is their own data.

Senator JONES. As I kept this memorandum—I do not know that I got it right—the private yards could take care of eight capital ships?

Admiral BENSON. Yes, sir; that is right.

Senator JONES. But if they took care of these eight capital ships they could not do anything on these scout cruisers or other ships?

Admiral BENSON. Yes, sir. For instance, take the first one, the Newport News Co., they could build one scout ship and one or two destroyers. You see, that is one scout and two destroyers. The

Bath Iron Works, four destroyers, that would be six. The New York Shipbuilding Co. could build two of these capital ships and one of the scouts, so that would be four scouts looked out for there. The Bethlehem company, in addition to what they claim, they could build four scouts, so you see that would accommodate all the scout cruisers. The submarines, of course, would be principally looked out for by the Electric Boat Co. and the Lake Co.

Lieut. McCANDLESS. That is the Fore River Co. and California Shipbuilding Co.

Admiral BENSON. For instance, the Electric Boat Co.—you want this data, as I understand, in regard to the H type of submarines. Four such boats could be presented entire in 18 months from date of order and six every month thereafter. So you see they apparently do not anticipate any trouble, and if the boats that are considered in the bill are allowed they will be very little different from the H type, so there will be no difficulty in providing for the submarines.

Senator LIPPITT. Is the H type the large type?

Admiral BENSON. They are about 350 to 400 ton displacement.

Senator LIPPITT. That is not a large type?

Admiral BENSON. That is not a large type; not as large as we would build—we would probably build not over 500 tons displacement.

Senator LIPPITT. How large are the submarines being built in Europe? Have you any idea?

Admiral BENSON. We have all kinds of reports from there. As a matter of fact the data we get from abroad is very unreliable, but they are building them there larger than we are. You see we are attempting to build two distinct types, one to go with the fleet of about 1,200 or 1,500 tons displacement, and a speed sufficient to accompany the fleet; and a larger number of the smaller type to guard our coast-line with. But I think abroad, as nearly as we can depend on the data that we get, they vary from 500 to 1,200 to 1,500 tons displacement.

Senator LIPPITT. Do you think they have built them as high as 1,200 tons?

Admiral BENSON. I think likely they have, but their problem is a very different one than ours. You see the geographical situation is a very different one and we should try not to confuse that. Those German boats, for instance, go out and remain on their stations from 14 to 15 days, and they must be larger and be prepared to carry more supplies and things of that sort.

Senator JONES. My recollection is that in your testimony before the House committee, you said we would need from 500,000 to 600,000 tons of auxiliary ships?

Admiral BENSON. Yes, sir.

Senator JONES. When did you mean that we would need them?

Admiral BENSON. I meant if we had to go to war with our fleet, as we had it, and contemplated that it should be, fully manned, and taking all the vessels with us.

Senator JONES. That is your program the board expects to have completed in 1925?

Admiral BENSON. Yes, sir.

Senator JONES. At that time you would need, if you had to go to war, some 500,000 or 600,000 tons?

Admiral BENSON. Yes, sir.

Senator LIPPITT. That is, he based it on 48 capital ships?

Admiral BENSON. That five-year program called for 10 battleships, 6 battle cruisers, and a number of smaller vessels, but those capital ships, as I remember, would make six additional. Now we have 42. That would practically give us 52 battleships, you see. But some of those we would never take off the coast, so it would hardly be fair to count that number. It would make just about 48 ships that we would have with the fleet and carry them, as I say, in a campaign across the Pacific, and we would count on meeting that much additional tonnage.

Senator LIPPITT. So this 500,000-ton Senator Jones asked about means what you would require for your full fleet and at the remote point you would be apt to use it?

Admiral BENSON. Yes, sir.

Senator JONES. If this bill should carry, say, seven capital ships, as it is very likely to, how far short of that 1925 program would you be in capital ships? You would only be two or three ships short, would you not?

Admiral BENSON. We are getting rather an abundance of battle cruisers and are rather short handed on battleships; but in capital ships it would leave us nine short.

Senator JONES. It would still leave you nine short?

Admiral BENSON. Yes, sir.

Senator JONES. You will put in your answer what we would require for the fleet as it will be with this bill carrying seven or eight capital ships?

Admiral BENSON. Eight; yes, sir. With the addition of the five-year building program to the fleet as it now is the following additional auxiliaries not carried in that program or already listed as necessary would be required: Two supply ships, 17,500 tons displacement; 9 fuel-oil ships, 130,500 tons displacement; 24 service oilers, 168,000 tons displacement; 2 destroyer tenders, 15,000 tons displacement; 12 tugs, 13,440 tons displacement.

Senator BANKHEAD. We have been talking altogether about building ships. There is a provision in this bill authorizing the purchase of ships, auxiliaries of some sort. Do you know of any vessels of that character in private ownership capable to meet the purposes required that could be bought?

Admiral BENSON. I do not know whether they could be bought, but we have listed, I think, about 120.

Lieut. McCANDLESS. We have listed 117 to date, I believe.

Senator BANKHEAD. You listed 120 or 150 in the Spanish-American War and gave them away afterwards. We do not want to have to repeat that. I should think, when we get into buying ships under the provisions of this bill, you would want substantial ships and big ships, suitable to the purposes for which you buy them.

Admiral BENSON. These have been carefully inspected, but the reports we get from the board, this lot, some are fitted for scouts. For instance, that is a question I have not touched on, because it has been a question of peace time. Of course in peace times we do not need scouts.

Senator LIPPITT. What do you mean by scouting ships?

Admiral BENSON. I mean ships which have to go out and search for the enemy's ships. I am glad you mentioned that, because I have not touched upon the subject of scouts at all, and in my data of what I am to give you, you said in time of peace. In time of war we would need a number of vessels for scouting purposes. As you readily understand, we have a seacoast from Maine practically to Panama on this side, and the whole Pacific coast on the other side, so that if an enemy were approaching, we should have to locate the enemy before knowing where to go to meet him.

Senator LIPPITT. Could you not locate him better with airships than you could with scouting ships?

Admiral BENSON. We should want to know long before he was coming, before airships could locate him.

Senator BANKHEAD. Those scout ships ought to be very speedy, should they not?

Admiral BENSON. They should be, yes, sir; but we are counting on ships for scouting purposes; we would take ships that would make 14 knots and over. Of course, the higher speed the ships made, the better.

Senator BANKHEAD. You would want ships speedy enough so that a battle cruiser could not catch them, should you not?

Admiral BENSON. We could not do that. If our ideas were carried out in the battle cruisers which we are designing, I do not think anything would catch him.

Senator BANKHEAD. If you send out a scout ship to search out the enemy, and he should find it and could not get back to report faster than the battleship could run, the battleship would catch him before he could get back, and you would not have any information?

Admiral BENSON. He could send it by wireless. But that is one reason that we want the battle cruisers. We want the battle cruisers to destroy those chaps.

Senator LIPPITT. I see you have got down here 32 fleet scouts, not less than 16 knots speed. Under the very conditions which Senator Bankhead has described, what would be the use of a 16-knot vessel to locate the adversary's fleet?

Admiral BENSON. Some of them, of course, would get in touch with them, probably some distance away, and in time probably a lot of them would be destroyed, but if they could send the information in by wireless it would accomplish the purpose.

Senator LIPPITT. Your idea is they would send the message in and then they would go to the bottom?

Admiral BENSON. Well, do the best they could.

Senator LIPPITT. I should think the best they could do under those circumstances would be to go the bottom, would it not?

Admiral BENSON. But in taking vessels of that speed we would much rather have them make high speed, but we feel, not having enough of them of higher speed, that we could make very good use of vessels that could make 16 knots.

The CHAIRMAN. Constructing new, you would build them with a higher speed?

Admiral BENSON. We would make them at least 30 knots, but if we could not with our facilities, and in utilizing what we have available, we would take ships making 16 knots and over and utilize them to make the very best of it.

The CHAIRMAN. With your estimate of 500,000 tons additional tonnage did you include these scout cruisers?

Admiral BENSON. Scout cruisers and all were taken in.

Senator JONES. When you talk about scout cruisers, do you mean converted merchant ships or do you mean regular scout cruisers, like those provided for in our naval bill, regular warships?

Admiral BENSON. We want the regular scout cruisers; we want a certain number of regular scout cruisers to remain with the fleet for exercise purposes and for most efficient work in time of war, but in case we should have war and we did not have a sufficient number of these scout cruisers, especially built, we would take in, for instance, fast passenger vessels. They would do just as well for scouting and we would have others, taking the fastest ones. We hope to extend our scout line by using aircraft that are sent out from the decks of the scouts.

Senator JONES. When you say regular scout cruisers, what do you mean by that?

Admiral BENSON. I mean, for instance, that we are asking in the bill for a certain number of vessels about 7,500 tons displacement—that is, 7,000 to 8,000 tons displacement—that will carry no armor; will carry torpedoes and a few guns of moderate caliber, and make a high speed with a powerful radio outfit.

Senator JONES. You would not understand that would be included under the terms of "naval auxiliaries" in this ship-purchase bill?

Admiral BENSON. No, sir; but it is included under term of "Naval Reserve."

Senator JONES. That is not the kind of vessels you would contemplate here?

Admiral BENSON. No, sir.

Senator JONES. These would be fast passenger ships that could be converted into what you then call "auxiliary ships"?

Admiral BENSON. We would not ordinarily call them auxiliary ships; no, sir; but properly they are part of the reserve.

Senator JONES. You say you have listed something over 120 ships which could be purchased, such as are suitable for these auxiliaries. When were these listed?

Admiral BENSON. Within the past year. I started that about a year ago, I think. I took charge of this office on the 11th of May, and we started in on this system of getting information and collecting it immediately.

Senator JONES. That is, I understand, that these are ships that were reported to you that could be bought?

Admiral BENSON. No, sir; excuse me, Senator; I said they were ships that had been inspected and would answer the purpose if we could buy them, but we have gone so far that we have drawn up the form of contracts. Of course we take it for granted that in time of war that these vessels would be available; that the owners would be willing to part with them.

Senator JONES. But Senator Bankhead, as I understood, asked you with reference especially as to the terms of this bill, which authorized this shipping board to purchase ships. He wanted to know if you knew of any ships which could be purchased. Those not contemplated in war—contemplated right away after the passage of this bill. Do you know of any ships that could be purchased?

Admiral BENSON. No; I do not. I misunderstood the Senator's question. I thought he meant we could get in case we needed them. I do not know of any one ship that could be bought.

The CHAIRMAN. When you use the term "listed" you do not mean the vessels have been offered, that the owners have offered to sell those ships?

Admiral BENSON. Not at all.

Senator BANKHEAD. I understood that to be the admiral's answer.

The CHAIRMAN. You inspected them, in case the Government wants them. Have you got any power to condemn them if you can not buy them?

Admiral BENSON. No, sir; we go to the owners of these ships and tell them exactly what we want and our reasons for it, and they give us all the data we asked for and allowed our board to make thorough inspection of them—to go over them with a full knowledge of what we were doing it for—and of course we have not gone into the matter, and I do not believe any of them would be willing to say what they would take for them or whether they would be willing to sell them or not. That is a phase of it which we have not taken up yet. We have drawn up forms of contracts, and all that sort of thing, so that as little time will be required as possible in working out the details. We even have gone so far as to try to detail the personnel for them as much as possible in case we do get them; but we assume, of course, that in time of war there might not be very much need for these vessels, and that the owners would be only too willing to let the Government have them. But I do not think—in fact, I do not know—that the shipowners would be willing to give a price.

Senator JONES. Were these ships you listed foreign-built ships or American ships?

Admiral BENSON. American ships, sir.

Senator JONES. Largely, I suppose, engaged in the coastwise trade?

Admiral BENSON. Yes, sir.

Senator BANKHEAD. If it is true, as we frequently see it stated, that a 7,000-ton ship, for instance, carrying a cargo from here to Liverpool, that the freight on the cargo would equal the cost of the ship; in other words, pay for itself every trip it made; do you think that is true?

Admiral BENSON. I think now some of them come pretty near it, Senator.

Senator BANKHEAD. Then, you would naturally suppose they wou'd sell very high, if they would sell at all?

Admiral BENSON. But those are neutral ships, of course, and if we were at war they would not be able to do that, sir. I do not think there would be any such trouble.

I have the figures worked up here hurriedly. We paid at the beginning of the Spanish War \$17,956,000, for 102 vessels that we purchased, and we chartered 5 others at a price that varied from \$1,000 to \$2,500 a day. Some of those vessels have cost us since more for repairs than the original cost; quite as much, nearly, to keep them going.

Senator LIPPITT. Many of them are in use to-day are they not?

Admiral BENSON. Quite a good many.

Senator LIPPITT. When you say some of them coast you more for repairs than the original cost, that has not been the prevailing condition, has it?

Admiral BENSON. I think possibly, within the time, 16 or 17 years, that it probably has. I do not know whether you would consider that exorbitant or not. They have cost a pretty large sum of money.

Senator BANKHEAD. Then if it were left to you, you would strongly advise building these auxiliaries instead of purchasing those already built for commercial purposes?

Admiral BENSON. My real opinion, Senator, would be this, to simply for the Navy to have only such auxiliaries as it actually needed for the peace time to work with the fleet and then depend on these vessels that we have listed and which we could call in for auxiliaries in time of war, and if we could have those merchant vessels so constructed and with the speed that would make them suitable for auxiliaries, I think it would reduce the expense of the Government in connection with the Navy very materially, as that money could be utilized during peace times for commercial purposes. I would not advocate having the Navy carry along with it a big list of auxiliaries that it did not actually need. In other words, I would not have the Navy supplied with any more auxiliaries than the Navy actually and absolutely needed for the efficient management of the fleet in peace time, but I do think we ought to have a suitable number of vessels engaged in the merchant marine that we could depend on getting and that they would be of the proper type and speed for use in time of war. That seems to me to be a good business economic proposition.

The CHAIRMAN. Does any navy in the world provide itself in peace conditions with sufficient auxiliaries for war purposes in war times?

Admiral BENSON. Only through its merchant marine.

The CHAIRMAN. But I exclude that.

Admiral BENSON. No, sir; they do not. They could not do it. It would bankrupt any Government almost to do it.

Lieut. McCANDLESS. Great Britain had the first of this year 2,593 commercial vessels which had been commissioned as His Majesty's ships for the purpose of keeping the fleet supplied, transporting troops, etc.

Senator FLETCHER. In time of war your auxiliaries are just as necessary as battleships, are they not?

Admiral BENSON. Absolutely, sir.

Senator LIPPITT. That depends entirely on what you are going to do, Admiral. That is, for instance, England to-day has had to transport troops halfway around the world pretty nearly—at least one-fourth of the way around; she has had to transport them to the Dardanelles and down into the Red Sea and to other places, and then she has had to transport practically her whole army across the water. It is not conceivable that we shall ever have such a war where we shall have to transport 2,000,000 or 3,000,000 soldiers into a foreign country by sea, is it?

Admiral BENSON. I do not think so, sir.

Senator LIPPITT. So that the conditions that prevail in England to-day are very unlikely to ever prevail in this country with our present ideas about defensive and offensive wars?

Admiral BENSON. But in our estimate we are not considering the transport of troops at all; simply supplying the Navy with the necessary vessels to carry on a campaign. For instance, if to-day we had to carry on our most distant campaigns without a base, we might have to wait a very long time before we could get in contact with the

enemy. Of course we hope that any enemy we might go to war with that the fleet might be able, if it could get in contact with their vessels, to bring it to a quick ending, but they might not want to do it. You can easily contemplate a situation in our case that is very similar to what exists in Europe to-day.

Senator LIPPITT. That is you mean as regards the naval situation between Germany and Great Britain?

Admiral BENSON. Exactly. There is a certain body of water which could contain a fleet and it would be practically impossible for us to get at it.

Senator LIPPITT. These colliers you have given in this list you gave in your House testimony, a large number of them, 1,172,000 tons of shipping which you said would be necessary for auxiliaries; you have got 787,000 tons of that colliers?

Admiral BENSON. Yes, sir.

Senator LIPPITT. That large number of colliers is the number that would be required in case your fleet was at a long distance from our own country?

Admiral BENSON. Yes, sir. I do not like to mention names, but you can easily imagine a very long campaign we might have to carry on, and when we got there the fleet would not be "getatable."

Senator LIPPITT. That is in case we might have to carry on a campaign the other side of either ocean?

Admiral BENSON. Yes, sir; one ocean in particular.

The CHAIRMAN. In all of your estimates here to-night you have not been including Army transports?

Admiral BENSON. No, sir; nothing but the naval. But we have to work out, in working out our problems—we have to take the worst phase of the situation into consideration. You see we might have to wait for years, and, on the contrary, we might come into contact with the fleet in a few weeks and the whole thing be over. We might not need any of them.

The CHAIRMAN. Most of the navies of the world, most of the countries of the world, have arrangements by which they can commandeer merchant vessels for auxiliary purposes, have they not?

Admiral BENSON. Yes, sir; that is understood.

The CHAIRMAN. We have no such power as that, have we?

Admiral BENSON. I do not think we have, sir.

Senator LIPPITT. They only get that power by agreement with the owners and by some form of assistance?

Admiral BENSON. Yes, sir.

The CHAIRMAN. Yes, under their system they have arrangements by which in case of war they can commandeer merchant vessels and transports?

Senator LIPPITT. Some form of subsidy, or otherwise.

The CHAIRMAN. Yes. We have no such arrangement as that?

Admiral BENSON. No, sir.

The CHAIRMAN. In case we have war we could only secure these additional vessels that would be required to accompany and supply this Navy by purchase?

Admiral BENSON. By purchase; yes, sir.

Senator BANKHEAD. Or charter?

The CHAIRMAN. Yes; by purchase or charter.

Admiral BENSON. As I understand, this bill provides that these ships could be taken with notice or without notice, if needed?

The CHAIRMAN. You listed certain ships here, 117, I believe, you said that would be suitable?

Admiral BENSON. Yes, sir.

The CHAIRMAN. That is as far as you have gone?

Admiral BENSON. Yes, sir.

The CHAIRMAN. You have reported 117 ships that you have investigated and inspected that would be suitable, but you would have to go and make private contracts with these people?

Admiral BENSON. Yes, sir.

The CHAIRMAN. And you would be at their mercy as to the price?

Admiral BENSON. Yes, sir; very likely.

Senator JONES. Do you know the aggregate tonnage of these 117 ships?

Admiral BENSON. No, sir; I do not. They are of all kinds. I could not begin to tell you. Some, for instance, like the Great Northern and the Northern Pacific, and others like the United Fruit Co.'s steamers. Those United Fruit Co.'s steamers would make very good ones for carrying ammunition.

Senator LIPPITT. They are vessels of 6,000 or 8,000 tons?

Admiral BENSON. They are pretty small. I think they would be probably 5,000 or 6,000 tons.

The CHAIRMAN. If we were engaged in war with a first-class power we would need all of those 117 ships, would we not?

Admiral BENSON. Yes sir; and more, too.

Senator LIPPITT. That would depend on whether we went to attack them or they came to attack us, would it not?

Admiral BENSON. Of course; but we hope we should not let them get very close to us. That is our idea, to try to keep them off.

Senator JONES. Do you think we would very likely hurry across the ocean to get over to them first?

Admiral BENSON. That would depend entirely upon circumstances.

Senator JONES. You figure, however, on that basis?

Admiral BENSON. We figure on the basis that we eventually would have to go across; yes, sir; because we believe that an offensive warfare is better than a defensive warfare.

Senator LIPPITT. If you are going to do that you must have a navy that is undeniably superior to the one you are going to hunt for?

Admiral BENSON. That is what we hope to have, sir.

Senator LIPPITT. That would require a somewhat larger Navy than we have at the moment, perhaps.

Admiral BENSON. Well, there are a great many phases to a problem of that kind.

The CHAIRMAN. Suppose this case, Admiral. Suppose you take a merchant ship, such as are used in our coastwise trade and such as would be suitable for auxiliary purposes, and the Government purchases that ship for that use. What would be the expense of fitting that up, adjusting it so as to make it suitable for an auxiliary, as compared with the expense of fitting up and adjusting a merchant vessel that was built according to the requirements of this bill?

Admiral BENSON. Well, in making these inspections and in listing these vessels we assign to particular service the vessel that is particularly suited for that purpose.

We take vessels carrying coal now that take very little additional expense, and of course a great many tankers are used for carrying oil, so we could get all the tankers needed for supplying the fleet with oil.

The question of speed comes in, and that is the reason that if after our inspection we find that we have not enough of, say, large tankers that have speed sufficient to go with the fleet we would then ask to have the minimum number supplied to the Navy with that speed so they could go with the fleet.

Senator LIPPITT. Would vessels with such a speed as you think would be required make economical commercial vessels?

Admiral BENSON. I think so.

Senator LIPPITT. The reason these tankers do not have high speed is because speed is expensive, is it not?

Admiral BENSON. They could come to the base so they would not necessarily have to come with the fleet.

Senator LIPPITT. I thought you said you would have to have a certain number of vessels with the fleet?

Admiral BENSON. A certain number to keep with the fleet all the time and keep the ships filled, but we would have a base somewhere and would want a certain number of other vessels to bring the supplies to that base, and the fleet would know where the base was and fill from these slower vessels.

Senator LIPPITT. But you do not contemplate in time of peace to have as many of these fast tankers as in time of war? My thought was that you had in your mind that a certain number of fast tankers should be encouraged.

Admiral BENSON. We would want them at all times.

Senator LIPPITT. So a certain number, in addition to what you would want at all times, ought to be encouraged to be constructed so they could be taken over in time of war?

Admiral BENSON. What I said was if we did not have enough in the merchant marine that had the speed and capacity to supply the fleet in time of war that we would have to ask to have that number built and maintained or kept ready for the fleet, although we might not actually need them in peace times.

Senator LIPPITT. You mean they would be built and remain idle?

Admiral BENSON. Remain in reserve for war purposes, provided we could not get them from the merchant marine.

Senator LIPPITT. I suppose a more economical way would be to build them and have them used in the merchant marine in some way?

Admiral BENSON. Absolutely.

Senator LIPPITT. The question I was asking was whether a vessel of that type and speed would be an economical vessel?

Admiral BENSON. I think it would be.

Senator LIPPITT. Would not the cost of the higher speed be a handicap to it?

Admiral BENSON. As we do not anticipate making them very high, I think a 14-knot limit is not such a high speed.

Senator LIPPITT. I thought you had something higher than that in contemplation?

Admiral BENSON. No; I think our colliers should have a speed of 14 knots.

Senator LIPPITT. The ordinary collier of to-day has a speed of about 10 knots, does it not?

Admiral BENSON. Ten or twelve knots, somewhere along there. Some have more and some less. I suppose 10 knots is about a good average speed.

Senator LIPPITT. The difference in cost of operation between a 10-knot vessel and a 14-knot vessel is very great, is it not?

The CHAIRMAN. We want to hear Mr. Chamberlain to-night. Admiral Benson, you will furnish the committee with this additional information as soon as you possibly can, will you not?

Admiral BENSON. Yes, sir; I will try to get it for you in a couple of days.

The CHAIRMAN. We are very much obliged to you, Admiral.

STATEMENT OF MR. EUGENE T. CHAMBERLAIN, COMMISSIONER OF NAVIGATION, DEPARTMENT OF COMMERCE, WASHINGTON, D. C.

The CHAIRMAN. Have you data from which you can advise us as to the number of ships now under construction in the different shipyards of the country to be employed in foreign trade?

Mr. CHAMBERLAIN. Yes, sir; Mr. Chairman, I have a statement of all the steel vessels that are being built, and those could be separated after a fashion, although rather inaccurately, as to the trade that they may be engaged in, because some will not be finished until 1918 and of course it is to an extent conjectural as to the trade that a ship now building will engage in in 1918. It will depend altogether on the world conditions as existing at that time, mainly as to whether there is war or not. They may engage in the coastwise trade or may engage in the foreign trade. Of course, generally speaking, there is no fundamental, structural difference in a ship that is built for the coastwise trade or for the foreign trade. A coasting voyage, for example, is from San Francisco through the canal to New York or to Boston, which, of course, does not differ essentially as to the structure of a cargo ship from a voyage across the Atlantic.

I noticed that the trend of the questions addressed to Admiral Benson dealt to a great extent with the future.

I should like to make one suggestion for your consideration. What I have here is information that the builders themselves have given me. It is second-hand information.

The CHAIRMAN. Is not that first-hand information?

Mr. CHAMBERLAIN. It is second hand to me. I was going on to say that two-thirds and probably three-fourths of the builders are within 24 hours of Washington, and if you care to send for these gentlemen, or some of them, I imagine they could be here by Monday.

The CHAIRMAN. Have you not made inquiries of these various builders with a view to ascertaining what vessels they are building, what contracts they have for vessels to be built, and have you any reason to believe that their answers to your inquiries are inaccurate?

Mr. CHAMBERLAIN. Not in the least.

Senator FLETCHER. Does that information extend to the capacity of the yards?

Mr. CHAMBERLAIN. Only as you can draw inferences from ships building or ordered.

Senator JONES. That is, have you got any information that would tell us whether or not if this board were to go out to have a ship built, whether it could get anybody to build it?

Mr. CHAMBERLAIN. In a general way; yes, sir.

Senator JONES. And if so, when could they do it?

Mr. CHAMBERLAIN. A short preliminary statement may in the end save time. Your committee is doubtless aware that American shipping in foreign trade has doubled since the outbreak of the European war. At the end of June, 1914, it amounted in round numbers to 1,000,000 gross tons; it is now 2,000,000 gross tons. Of this increase 600,000 tons are foreign-built ships admitted to American registry under the ship-registry act of August 18, 1914, one of the most successful acts of maritime legislation in our history, introduced on August 5, 1914, almost simultaneously with the outbreak of war. For various reasons, chiefly because practically all foreign nations since February, 1915, have passed laws prohibiting during the war the sale of merchant ships under their respective flags to citizens of other countries without special permit of the foreign Government whose flag the ship flies, we can not look to the ship-registry act of August, 1914, for any considerable increase in our merchant marine at this time.

We must turn to shipbuilding in the United States. We now print monthly a statement showing the steel merchant vessels under construction or contracted for in American private shipyards at the beginning of each month. The statement for June 1, 1916 (details of which are attached), shows on that date 372 steel vessels, of 1,147,534 gross tons, were building or ordered in American yards. In brief, American private steel shipyards have now on hand three times more merchant work than ever in their history, and enough to keep most of the larger yards practically employed for two years.

The following table of steel vessels building or ordered in the United States in private shipyards at the beginning of each fiscal year since 1900, compared with the tonnage, 1,147,534 gross tons, building or ordered on June 1, 1916, will explain the situation more clearly than any words of mine, and I regret that I can not supply the figures of ships building for the United States Navy and other branches of the Federal Government at the beginning of this month, to which, of course, you will soon add the ships for the Navy to be ordered under the pending naval appropriation bill:

Comparison of steel vessels building in the United States, 1900-1916.

Date.	Merchant.						Government.		Total.	
	Great Lakes, etc.		Seaboard.		Total.					
	Num- ber.	Gross tons.	Num- ber.	Gross tons.	Num- ber.	Gross tons.	Num- ber.	Displace- ment.	Num- ber.	Tons.
Aug. 15, 1900.....	20	70,119	48	207,561	68	277,680	47	113,329	115	391,009
June 15, 1901.....	26	81,780	63	273,865	89	358,645	71	281,148	160	636,793
July 1, 1902.....	39	124,537	65	222,949	104	347,486	67	269,890	171	617,376
July 1, 1903.....	30	109,020	58	146,655	88	255,675	47	334,147	135	589,822
July 1, 1904.....	1	400	56	94,588	57	94,988	38	331,435	95	426,423
July 1, 1905.....	27	104,067	49	86,836	76	190,903	39	308,702	115	499,605
July 1, 1906.....	33	175,472	78	159,299	111	324,771	29	237,814	140	572,535
July 1, 1907.....	50	233,949	84	149,524	134	403,473	45	151,993	179	555,466
July 1, 1908.....		13		14,775	13	14,775	82	136,091	98	150,866
July 1, 1909.....	13	41,395	52	127,453	65	168,848	52	164,184	117	333,032
July 1, 1910.....	36	59,692	63	86,075	99	145,767	45	184,096	144	329,863
July 1, 1911.....	53	71,769	26	28,626	79	100,395	130	119,449	209	219,844
July 1, 1912.....	51	78,353	80	192,980	131	271,313	85	234,923	216	506,236
July 1, 1913.....	63	40,849	71	169,580	134	210,429	123	230,673	257	441,102
July 1, 1914.....	17	39,337	24	104,631	41	143,968	68	142,910	99	286,878
July 1, 1915.....	14	15,951	62	294,138	76	310,089	69	190,790	145	500,879
June 1, 1916.....	184	233,275	188	914,259	372	1,147,534	.....	.....	.....	.....

No one, of course, can state exactly in what trade all these 372 ships now building will engage when they are finished, some of them not until 1918. Some of them will doubtless engage part of the time in the foreign trade and part of the time in the coasting trade, as the varying conditions of these two trades may from time to time require. In a rough way, however, the usual trades of many of these 372 vessels of 1,147,534 gross tons may be determined.

The Welland Canal at the present time will not permit the passage of vessels exceeding about 2,100 gross tons. The canal is being enlarged, but for the next few years the limit stated will hold. Of the 372 vessels building or under contract 15 are building on the Great Lakes and are much too large to pass through the Welland Canal. These 15, aggregating 102,700 gross tons are for our domestic lake trade. Then, too, there are 162 small vessels aggregating 74,819 gross tons, such as barges, ferryboats, tugs, yachts (4 aggregating over 1,200 tons), and other small craft not adapted for foreign trade, although some of the larger barges may in time find their way into trade in the Gulf of Mexico with near-by foreign ports.

A Spanish submarine, a small steamer for the South Australian Government, a small Argentine war vessel, a special barge for the French, aggregating 3,300 tons, are building in this country, and will not, of course, engage in trade. These vessels have no place in a table of merchant ships and are included only to illustrate the foreign orders now coming to our yards.

Then, too, 16 steamers, aggregating 62,387 gross tons are building for American shipowners, whose activities are virtually confined to the coasting trade; such, for example, as the Mallory Line, the Baltimore & Carolina Line, the Southern Pacific, and the Savannah Line. It is quite possible that if some of these ships were actually completed now, present conditions would prompt their employment in foreign trade, but their ultimate general employment will doubtless be coast-wise. The four general kinds of vessels just described aggregate 197 of 243,206 gross tons.

There remain 175 vessels, of 904,328 gross tons, averaging thus over 5,000 gross tons, all of which are cargo boats, and accordingly range from 9 to 13 knots speed. All these ships are of the types, therefore, specially required for foreign trade, and under present conditions all of them doubtless would engage in foreign trade. Conditions late in 1917 and in 1918 may be such that some will engage at that time in whole or in part in the domestic trade, but they are all foreign-going ocean cargo steamers in all essential requirements. Of the total 79, of 348,113 gross tons, are general cargo ships building for American owners, practically all of whom are identified with the foreign trade, as the detailed statement shows.

Then, too, the Standard Oil Co. is building 25 tankers, of 203,397 gross tons, and various other American oil companies are building 28 tankers, aggregating 175,468 gross tons. From the point of view of the growth of the American shipbuilding industry, one of the most gratifying features of the present unusual situation is that foreign shipowners are turning to American shipyards to build their merchant ships. This is particularly true of Scandinavian shipowners, who have placed large orders in American yards. During the past three or four months this movement has been marked. For foreign shipowners 20 tank steamers, aggregating 95,500 gross tons, have

been ordered in the United States, making in all 73 tank steamers, of 474,365 gross tons, now building or under contract in our yards. Besides these, 20 cargo steamers, of 81,850 gross tons, are building or have been ordered for foreign account in American yards, making a total of 115 cargo steamers, of 492,350 gross tons.

At this late hour of the evening you will scarcely wish that I go into many of the details of the statement prepared at your request, but for a moment please turn to the Fore River Shipbuilding Corporation, which has 13 large merchant ships under construction, tonnage 70,460, some of which are not to be launched until the summer of 1917, over a year from now. Of course it is reasonably safe to say that they are not likely to take on any more merchant construction at this time as they can not turn it out before late in 1917 or in 1918, especially in view of the part this yard takes in naval construction.

Senator JONES. So if we want to get a ship we could not get it from them?

Mr. CHAMBERLAIN. Presumably not.

Senator LIPPITT. I have been told, Mr. Chamberlain, that the shipyards are practically sold up for two years. Does the information you have verify that information?

Mr. CHAMBERLAIN. That is true of a number of them.

Senator LIPPITT. How many, and can you tell us what ones?

Mr. CHAMBERLAIN. This matter must be considered in connection, you know, in the case of the larger yards, with naval construction, not only as it was in March, when the shipbuilders' statement was made to the House Naval Committee, to which Admiral Benson referred just now, but as it is likely to be in the course of a very few weeks, when Congress has decided upon the scope and details of the Navy shipbuilding program why I made the suggestion I did.

Senator LIPPITT. You say you could tell us the number of shipyards that were sold up for two years?

Mr. CHAMBERLAIN. I will go through this list one by one. The vessels are all listed there—the occupation, the builders, and everything of that kind. The last launches the Fore River Co. have done here are in the summer of 1917.

Senator LIPPITT. Do you know whether they can take a contract for delivery in the fall of 1917?

Mr. CHAMBERLAIN. I do not, because as the Navy pamphlet shows, they are reserving part of their capacity for the Government vessels. I could not answer that accurately.

The CHAIRMAN. If they got Government contracts they could not build so many?

The CHAIRMAN. No, sir.

Senator FLETCHER. Some of those will be launched earlier?

Mr. CHAMBERLAIN. Yes, they are coming right along. For instance, one of them is down for June 1, 1916. We have not got word of that yet, but it should have been launched. I may say shipbuilders generally are a little behindhand in work and launchings. They are behind for two reasons. In the first place—

Senator LIPPITT. Why not go ahead first with the others?

The CHAIRMAN. How many did you say the Fore River had?

Mr. CHAMBERLAIN. Thirteen ships.

The CHAIRMAN. They are building 13 ships?

Mr. CHAMBERLAIN. They are building or have under a contract 13 ships.

The CHAIRMAN. Can you tell us how many of those ships are for the foreign trade?

Mr. CHAMBERLAIN. Five ships building for the Luckenback Steamship Co. They are engaged in both kinds of trade. They go through the Panama Canal under ordinary conditions. At the present time their ships are running foreign to a great extent, because they get so much more money out of them. What they will be doing in 1917 I would not undertake to say.

The CHAIRMAN. Are they general or special cargoes?

Mr. CHAMBERLAIN. General cargoes. The ordinary tramp type so to speak.

The CHAIRMAN. Are they built for American owners?

Mr. CHAMBERLAIN. The Luckenbacks are Americans. The Fore River yard is building one vessel for the Argentine Government. They are also building one for the Spanish Government. The one for the Argentine Government is a 3,000-ton ship of 10½-knot speed.

I want to say right here that in my figures and in talking of merchant ships generally by tonnage one means the entire cubical content of the ship in tons of 100 cubic feet. It is a matter of space measurement, of dimension and not of weight. Admiral Benson spoke, of course, in terms of displacement, which is a term of weight, 2,240 pounds to the ton. It is not a sure rule, but a fair rule of thumb for your purposes would be to take the displacement tonnage of a ship and multiply it by six-tenths and get the gross tonnage of a cargo ship. For example, he mentioned 500,000 tons of shipping needed for naval auxiliary purposes. He was talking in terms of displacement. If you multiplied that by six-tenths you would be somewhere nearly right in saying that this meant 300,000 gross tons in the sense merchant ships are always measured. That is a crude way. It will apply to a cargo boat, but it will not hold so true if applied to a passenger boat.

Incidentally, I noticed the minimum speed provided in the ships of which the admiral was speaking was 14 knots. Fourteen knots, of course, is not a commercial speed for cargo boats. In the whole world there are only about 700 merchant ships of 14 knots or over, and they are all passenger ships, carrying, of course, cargo also.

The CHAIRMAN. What is the average speed of a cargo boat?

Mr. CHAMBERLAIN. The best of these that are building is 10½, 11, and 12 knots. The average speed is lower than 12 knots. The older ships do not go that speed. The ordinary tramp is an 8 or 10 knot ship.

Senator LIPPITT. As a matter of fact, it is quite easy to get a vessel up to 10 knots, is it not?

Mr. CHAMBERLAIN. Yes, sir.

Senator LIPPITT. But if you go above 10 knots you immediately have to go into very high power?

Mr. CHAMBERLAIN. Yes; the machinery and coal is so expensive and takes space otherwise available for cargo, and the fireroom force and coal passers are numerous, and all that sort of thing. As I say there are about 700 ocean steamers of 14 knots or over in the entire world, and all of those (I do not believe there is an exception), are passenger ships.

Senator JONES. Do you know about what their average tonnage—I mean of those 700 14-knot or over ships?

Mr. CHAMBERLAIN. No; they are the big passenger ships of the world.

Senator LIPPITT. That includes the *Vaderland* and—

Senator JONES. Could you tell me about the average tonnage?

Mr. CHAMBERLAIN. No; but I can go over it and give you a pretty good estimate of it.

Senator JONES. Put that in your testimony, if you will.

Senator FLETCHER. The *Vaderland* alone is 52,000 tons?

Mr. CHAMBERLAIN. Yes; they run, as a rule, from 3,000 and 3,500 tons up to 50,000.

Senator LIPPITT. Some of the English Channel steamers are not 3,000 or 4,000 tons, and they run up to 20 knots, do they not?

Mr. CHAMBERLAIN. You are speaking of a few very fast Channel ferryboats. A few of those go even faster—25 or 26 knots.

Senator LIPPITT. Are those included in your list?

Mr. CHAMBERLAIN. I forgot them for the moment. I was speaking of the ordinary passenger ship that crosses the oceans.

Senator FLETCHER. In determining whether those ships you mentioned might be used in foreign or coastwise trade you would have to know something of their construction, as to their bunker capacity, would you not, to know whether they could be used in foreign trade?

Mr. CHAMBERLAIN. Not necessarily, because, Senator, a foreign voyage is a voyage from New York to Habana. A coastwise voyage is a voyage from New York to Galveston. In a cargo boat, of course, it is easy to increase or decrease coal capacity.

Senator FLETCHER. I meant ordinarily. We speak of Habana trade as coastwise, do we not. It is not really coastwise, but a lot of ships stop at Habana, coming from Galveston, for instance, to New York, do they not?

Mr. CHAMBERLAIN. There is no reason why they should not, but as a matter of fact they do not. I do not think that any do, but there is no reason why they should not. "Coastwise" is used often colloquially in the sense you just mentioned, but in our statutory sense "coastwise" means a domestic voyage from one American port to another, as distinguished from foreign, which is between an American port and a port of some other country.

Senator FLETCHER. What I meant with regard to bunker capacity as bearing on the question whether the ship is intended for foreign trade was that if you built a ship, for instance, to trade with South America, or for trade across the Atlantic, the bunker capacity of that ship would have to be considerably greater than if she was engaged in the ordinary coastwise trade?

The CHAIRMAN. Oh, yes; of course, the length of the voyage governs the bunker capacity. The shipyards of the United States on June 1, 1916, you say, had merchant steel vessels building or under contract to the number of 372, of 1,147,534 gross tons. Does that include all the ships they are building?

Mr. CHAMBERLAIN. That includes all the ships they are building and all those they had contracts to build made of steel. It does not include any wooden vessels at all.

The CHAIRMAN. Now, can you separate, approximately, the ships that are being built for the purposes of foreign trade and those that are being built for domestic trade? I mean by domestic trade, engaged in the coastwise trade and on the Lakes and in interior water

transportation. Of course, you can not undertake to say with precision, but you can give us an approximate estimate, can you not?

Mr. CHAMBERLAIN. Under present conditions if these ships were all built and running I have no doubt that 900,000 tons of them would be engaged in foreign trade. In these days almost any kind of a ship in the coasting trade is being drawn into foreign trade. Since the outbreak of the war about 400,000 tons of our coast trade vessels have gone into foreign trade.

Senator JONES. That is, you mean that more tonnage would be sought for foreign trade?

Mr. CHAMBERLAIN. Not only that, but if built and ready to carry cargo to-day, 900,000 tons of that, I think, would be in foreign trade.

The CHAIRMAN. That is, you mean if cargo space was as high as it is now, and inducements to enter into the foreign trade as great as they are now; but in normal conditions how much of it do you think would be engaged in foreign trade, where prices and profits were normal?

Mr. CHAMBERLAIN. That is a matter of conjecture.

The CHAIRMAN. You were conjecturing a little while ago about what would be the conditions in case the prices in the foreign trade were as great as they are now, the profits as great. Now, I am asking you to conjecture in the same way as to what would be the probabilities in case of normal conditions, if prices and profits were normal.

Mr. CHAMBERLAIN. A very small part of it, perhaps one-third, perhaps 350,000 tons. Some of these large tank steamers would engage in foreign trade any way, and ships building for foreign owners can not lawfully engage in our coasting trade.

The CHAIRMAN. Your theory is that tonnage of 900,000 was really intended for coastwise trade or lake trade?

Mr. CHAMBERLAIN. No; I beg pardon. I do not mean that; I mean that these ships are ordered in view of the probability that present conditions will last for at least two years. Some of them I know are built on that theory because the men who have ordered the ships have told me so—that present conditions will last for at least two years, and probably for three, including the time that it is going to take to make peace after hostilities have ceased, and the necessary time for maritime conditions to be adjusted.

The CHAIRMAN. And that they are being built with a view to putting them into domestic trade when the war ends.

Mr. CHAMBERLAIN. They are being built upon the theory that under present extremely high prices owners can afford to pay the very high prices that ships cost now, and make good in three years those very high prices and then have their ships on hand to put into whatever trade conditions warrant at the end of that period.

Senator BANKHEAD. Wherever they would be the most profitable?

Mr. CHAMBERLAIN. Yes, sir.

Senator FLETCHER. Argentina could very well afford to build ships to carry coal alone because coal is selling in Euenos Aires for \$35 a ton now.

The CHAIRMAN. What proportion of those ships you have just spoken about will likely go into foreign trade while the war continues; what part of those are general cargo ships and what part of them are for special merchandise?

Mr. CHAMBERLAIN. I shall have to make a separate statement on that for you, Senator, and send it along. I shall have to pick them out ship by ship and summarize. Some building on the Lakes could not possibly get through the Welland Canal. With your permission I will make a summary statement and put it at the beginning of my testimony.

Senator LIPPITT. You will make up the list and answer the question in your testimony?

Mr. CHAMBERLAIN. Yes, sir.

Senator LIPPITT. But you can not tell us definitely to what average time the shipyards of the United States are sold up?

Mr. CHAMBERLAIN. Oh, entirely through this fiscal year, ending June 30, 1916, pretty nearly all, except some on the Lakes, through the fiscal year 1917, and some of them into 1918. For example, I have in front of me at this moment the statement of Harlan & Hollingsworth Corporation, Washington, Del. They say:

No additional contracts taken since last report. Owing to the fact that we are booked to capacity until well into 1918 we do not expect to book any vessels during 1916.

Senator JONES. Do you know of any shipyards or shipbuilding plants where this shipping board, if provided, could go out and contract immediately for the construction of a ship?

Mr. CHAMBERLAIN. Yes, sir; I know where they could contract for the construction of a ship immediately, but I do not know when they could get the ship.

Senator JONES. I mean where they could contract and commence building a ship right away.

Senator LIPPITT. Do you know any shipyard company which would take the order for the delivery of a ship this year?

Mr. CHAMBERLAIN. Not a ship of any account.

Senator LIPPITT. A ship of any size?

Mr. CHAMBERLAIN. No; I doubt if there is any.

Senator LIPPITT. Do you know of any shipyard where you could contract for the delivery of a ship of not less than 6,000 tons for 1917?

Mr. CHAMBERLAIN. Yes; some could do that. For example, Cramp's.

Senator JONES. This is assuming to take care of this naval program?

Senator LIPPITT. No; it is not assuming anything.

Mr. CHAMBERLAIN. Here is Cramp's statement. They say: "We have endeavored to arrange these private contracts so that we would be enabled to proceed with the construction of naval vessels in the spring of 1917."

Now, if they can begin to build nayal vessels in 1917, of course they could begin to build merchant vessels in 1917.

Senator LIPPITT. That does not answer the question I asked you, if you knew of any yards that could take a contract for delivery in 1917?

Mr. CHAMBERLAIN. None to build a large ship, a 6,000-ton ship.

Senator LIPPITT. Do you know of any that could contract and deliver in the first three months of 1918?

Mr. CHAMBERLAIN. Yes; some of these concerns could do that. For example, the Baltimore Dry Dock & Ship Building Co., they are building 3,500-ton ships and they could do it some time in 1917, late 1917.

Senator LIPPITT. Is that a new concern that has just started?

Mr. CHAMBERLAIN. They never have done any large contracts. It is rather an old concern.

Senator LIPPITT. Is a 3,500-ton vessel the largest ship they can build?

Mr. CHAMBERLAIN. I do not know the largest ship they can contract for.

Senator LIPPITT. But they have not been generally known to the trade as building good sized vessels, have they?

Mr. CHAMBERLAIN. No; they are a relatively new concern to the building of larger vessels.

The CHAIRMAN. Three thousand five hundred tons?

Mr. CHAMBERLAIN. Yes, sir; I am speaking always of gross tons.

Senator JONES. You would include that in large construction?

Mr. CHAMBERLAIN. No, sir; that is medium. Many of these ships that are building are ships anywhere from 8,000 to 10,000 gross tons.

Senator JONES. Senator Lippitt asked you whether they could build of that type 6,000-ton ships to be delivered in 1917?

Mr. CHAMBERLAIN. I do not know whether or not they could deliver in 1917 or at all a 6,000-ton ship.

Senator LIPPITT. Do you know of any yard that can build one? You have already answered you did not know of any yard that could build one for delivery in 1917. I will now ask you if there are any that could build one in the first three months of 1918 and we are looking for it.

Mr. CHAMBERLAIN. Fore River is full up to the summer of 1917. The Lake builders of course can not build a large ship and get it through the Welland Canal. They can not build a ship of more than 2,100 tons and get it to the Atlantic. They are building a great many 2,100-ton ships; they are building a number for the Norwegians. Of course, the 2,100-ton ships fill up their ways just as a big ship does, so the tonnage output of the Great Lakes yards is not going to be as great as it has been in the best years of Lake building, although the number built will be large.

Sparrows Point, Md., could build late in 1917, unless they come in under the Navy building program, but they may go into naval construction if they get a chance. Mr. Wood, the company's president, will doubtless advise you fully, if requested as to the plans for his yard.

Senator JONES. You mean they could contract to build and deliver some time in 1917?

Mr. CHAMBERLAIN. On their present arrangement they could; yes.

Senator JONES. Six thousand ton ships?

Mr. CHAMBERLAIN. Yes, sir.

Senator LIPPITT. That is if they did not save their space for naval work?

Mr. CHAMBERLAIN. If they do not undertake naval construction. Newport News is full to the end of 1917. They could not begin anything until well into 1918. They are one of the fastest yards that build, and they might turn out a ship in four months making it available in early summer 1918. All these matters of ship construction are conditional especially on the skilled labor available. The trouble shipbuilders are having now is that they can not get enough skilled men to do the work along certain lines.

Senator LIPPITT. If the labor is scarce or the material is scarce it would prolong the time it would take them to deliver the orders already on hand, would it not?

Mr. CHAMBERLAIN. It would, of course.

Senator LIPPITT. That might affect the question we are trying to ascertain.

Mr. CHAMBERLAIN. Yes, sir. The New York Shipbuilding Co. are full of work to the spring of 1918. They have contracts right straight up to that time. The Seattle Construction & Dry Dock Co.—nine private shipyards are building merchant ships of 6,000 gross tons or over. The statement of the merchant ships they are building to be launched during the few days remaining of the fiscal year 1915-16 and of such ships building or ordered to be launched during the fiscal years 1916-17 and 1917-18 is shown below, and you will readily recognize the names of six of these establishments as well-known builders of capital ships for the American Navy and the navies of foreign powers. I can not answer as to the extent to which the coming naval construction program will affect the chances for building merchant ships of 6,000 tons or over in these yards in 1918, and for this reason I ventured at the outset to suggest it might be worth while for the builders themselves to come here Monday.

Name of builder.	Fiscal year—					
	1915-16		1916-17		1917-18	
	Num- ber.	Gross.	Num- ber.	Gross.	Num- ber.	Gross.
Fore River Shipbuilding Corporation, Quincy, Mass.....	1	5,000	10	52,100	2	13,360
New York Shipbuilding Co., Camden, N. J.....	1	10,250	19	90,085	5	31,497
Seattle Construction & Dry Dock Co., Seattle, Wash.....			5	30,300	2	12,300
Union Iron Works Co., San Francisco, Cal.....	1	7,000	18	130,058	4	28,800
Harlan & Hollingsworth Corporation, Wilmington, Del.....	2	10,952	9	40,144	5	18,210
Newport News Shipbuilding & Dry Dock Co., Newport News, Va.....			10	66,699	6	45,248
Wm. Cramp & Sons Ship & Engine Building Co., Phila- delphia, Pa.....			12	78,400		
Maryland Steel Co., Sparrow Point, Md.....			10	58,996		
Moore & Scott Iron Works, Oakland, Cal.....			3	10,000	1	6,000
Total.....	5	33,202	96	556,782	25	155,415

The CHAIRMAN. Let me ask you this question. Is it your theory that if private capital were disposed to go into shipping, or if the Government, by granting them subsidies, would produce a condition where private capital would go into shipping, or if the Government provides ample money for the purchase of ships and goes into the business that on account of congestion in our shipyards neither private capital nor the Government could secure ships for the next two years?

Mr. CHAMBERLAIN. I have not any theory on the subject, Mr. Chairman. I am simply endeavoring to set forth the facts so far as I know as they exist in the shipyards to-day. I have no theory on the subject. It is quite possible, as I understand it, under this bill, that you could establish shipyards or your own. It would take some time to set up a shipyard, but the Navy Department already owns shipyards which might undertake the work you have in mind.

Senator FLETCHER. Are there not some opportunities for the building up of shipyards by private individuals?

Mr. CHAMBERLAIN. Undoubtedly. The additional contracts for ships that were reported during the last month, nearly all come from yards started recently. There is one yard, the Marvel yard at Newburgh, N. Y., which has been out of business for some time that has been taken up by a new concern and is going to start in building large oil barges to cross the ocean. The Sewell Yard up in Bath, Me., which has been out of business some eight or ten years—so I saw in the papers the other day and I think the statement is correct—is going to resume work under new control.

Senator LIPPITT. You had better verify that statement from things I know about it before you make it.

Mr. CHAMBERLAIN. I say I do not know whether it is true or not. I saw this statement.

The CHAIRMAN. Are any of these private ship-building companies enlarging their capacities?

Mr. CHAMBERLAIN. Yes, sir.

The CHAIRMAN. How many of them are enlarging their capacity?

Mr. CHAMBERLAIN. You probably saw the notice of the Cramp's doing it just the other day, taking in considerable extra space. The Union Iron Works out in San Francisco have extended recently. There are two. A new yard on the Delaware is projected by some of those identified with the Sun Oil Co.

Senator LIPPITT. Is it not a fact that nearly every shipyard in the country is run below its capacity on account of lack of help?

Mr. CHAMBERLAIN. I think they are running short. They have the work on hand but they are not finishing it as soon as they had expected. In many instances ships are not being launched until some weeks later than the date anticipated.

Senator LIPPITT. That is, I say, running short of capacity on account of lack of help?

Mr. CHAMBERLAIN. Yes; I think that is true of a number of them.

Senator LIPPITT. So that is a considerable drawback in starting new shipyards?

Mr. CHAMBERLAIN. Yes, sir; and the price of material is a matter of great uncertainty. The price of materials and the time of delivery of materials.

The CHAIRMAN. Do you know of any enterprises that are projected for the construction of new yards?

Mr. CHAMBERLAIN. None that I have any particular assurance about, except as already indicated and one I have right in front of me now, Skinner & Eddy. That is a new combination in Seattle. I believe they have some plant, but it is new as a shipbuilding concern, is it not, Senator Jones?

Senator JONES. I think so. I know Mr. Skinner, but I knew him more in the lumber business, in the shipment of lumber, and do not know much about what he is contemplating now.

Senator LIPPITT. Are they going to build steel ships or wooden ships?

Mr. CHAMBERLAIN. Steel ships. I have left wooden ships out of consideration altogether in these tabulations. We build annually from 100,000 to 150,000 tons of wooden vessels. Here is a corporation called the Standard Ship Building Corporation in the neighborhood of New York, but I must say I do not know anything about that.

Senator LIPPITT. Could you not make up a statement and put it in the record of the condition of each shipyard as regards its orders on hand?

Mr. CHAMBERLAIN. The statement which I had before me will show that.

Senator LIPPITT. Could you condense it, put it in that way, but make a condensation of it so we could see it at a glance?

Mr. CHAMBERLAIN. If you will suggest what you have in mind, of course, I shall be very glad to do it.

Senator JONES. You have only referred to one place or yard, that is Sparrows Point, where you think a ship of 6,000 tons could be contracted to be delivered some time in 1917. Is that the only place?

Mr. CHAMBERLAIN. I do not know whether I went through them all.

The CHAIRMAN. You do not mean to say there is no shipyard that would take a new contract except the one at Sparrows Point?

Mr. CHAMBERLAIN. No, I did not say that, sir. I think some of them would take a contract, but when you come to the matter of delivery I do not think there is any possibility of getting a ship delivered of the size you speak of, a 6,000 gross ton ship, much inside of two years, if ordered in July, 1916.

The CHAIRMAN. Unless the capacity were enlarged or new plants built?

Mr. CHAMBERLAIN. The capacity of the present yards expanded or new plants built. I am reasonably sure that is so, because some three months ago the marine superintendent of the Standard Oil Co. told me—if you will notice those lists you will find they are building very extensively all over—he told me they had ordered ships wherever they could get them to be delivered within two years, and they had exhausted the possibilities, and I know that is so, because they had even bought some sailing vessels with auxiliary power, which is quite unusual for them.

Senator JONES. Do you know what size ships they want?

Mr. CHAMBERLAIN. They are building most of them 10,000 tons gross, some 6,000, and some 8,000, I think.

Senator LIPPITT. So, from the testimony of the Standard Oil Co., it looks as though there were no possibility of getting delivery of a ship from 6,000 to 10,000 tons within two years?

Mr. CHAMBERLAIN. Not before 1918. I think that is a perfectly safe statement, bearing in mind, of course, as I say, that some of these yards are reserving part of their capacity to come in under the anticipated naval program, which is a very sensible and proper thing to do.

The CHAIRMAN. Let me ask your opinion. Suppose Mr. Morgan and Mr. Rockefeller, or some other man of enormous financial resources should go into the market for the purpose of securing \$100,-000,000 of ships. Do you think they could get them built at all within a reasonable time?

Mr. CHAMBERLAIN. Before 1918?

The CHAIRMAN. Yes.

Mr. CHAMBERLAIN. Not except by paying an altogether unreasonable price. I have no doubt they could do this: They could get some of these ships already building, buy them away from the men who have ordered them. I have one ship in mind building for Mr. R. L. Ph at San Francisco. He is a well-known ship man out there, and has

within the last year and a half started three times to have built a ship named for his daughter. He has started three ships since the outbreak of the war and has sold each one, in one case before it was launched, for so much more than his original contract price that I am told he has made a large sum of money and is still without the ship.

Senator LIPPITT. That really does not add anything to the capacity of the yards; it simply means that when a ship is delivered it is delivered to a certain owner other than the contracting party?

Mr. CHAMBERLAIN. I was trying to answer the Senator's question, if a man had \$100,000,000 could he get some ships. Undoubtedly he could; he could get some of these that are building for other people if he would pay enough over their contract price to make the sale advantageous.

Senator LIPPITT. Do you think if the Senator had the money he could get a new ship built?

The CHAIRMAN. I was not speaking with reference to the present capacity of the shipyards of the country, but I was asking you if private capital went into the market for the construction of ships with, say, \$100,000,000 to expend, and was ready to make contracts for the construction of \$100,000,000 worth of ships to be delivered within three years, if in your judgment they would be unable to secure their construction in this country within that time?

Mr. CHAMBERLAIN. I think in three years it might be done.

The CHAIRMAN. How about two years?

Mr. CHAMBERLAIN. No, sir.

The CHAIRMAN. I am not speaking about the present yards now, but I am asking you the question whether you believe that American enterprise, in the face of a proposition of that sort, would get itself in condition to supply that demand?

Mr. CHAMBERLAIN. It could be done at a very large increase in cost, of course. Of course, with that amount of money, if you were willing to pay a very high price per ton for ships, you could doubtless secure them within two years. If the price were high enough men would sell some of the contracts they have made for ships.

Senator JONES. Or if the price were enough they would expand their yards?

Mr. CHAMBERLAIN. Or they might expand if they could get the skilled men to carry on the work.

Senator LIPPITT. There is no doubt if a man had \$100,000,000 to spend he could get one vessel built with that?

Mr. CHAMBERLAIN. Yes, sir.

Senator FLETCHER. He could build his own yard?

Mr. CHAMBERLAIN. Yes, sir; he could build his own yard.

The CHAIRMAN. Suppose he did not want to build his own yard. I want to know if it is your opinion American enterprise would not be tempted by that situation to provide necessary facilities for building these ships?

Mr. CHAMBERLAIN. Yes, sir; if it was sure of getting \$100,000,000 at very high prices for the ships.

The CHAIRMAN. Suppose the prices were those of good but not of exceptional profit, would American enterprise rise to the occasion and meet the demand?

Mr. CHAMBERLAIN. I think American good sense would keep out of any proposition of that kind, because the prices being paid now

and that are going to be paid for the next two or three years are surely not going to continue. That is a self-evident proposition.

The CHAIRMAN. The question has nothing to do with whether ships can be operated successfully or indifferently or how. It is like this: I go to the builders and say, "I want to contract to build \$100,000,000 of ships—I have the money and am ready to let the contracts; Can you accommodate me?"

Mr. CHAMBERLAIN. Yes; but I must establish the shipyard. I must construct a great big marine plant, which will endure for years.

The CHAIRMAN. The question I mean to ask you is whether, if the proposition were made to let a contract to build \$100,000,000 worth of ships, in your judgment there would not be sufficient enterprise in America to provide facilities for constructing those ships?

Mr. CHAMBERLAIN. I think it is very questionable, if early delivery were involved, because the prices would have to be very high. The shipbuilding plant under present conditions would be expensive to establish and, later, in normal times, the builder would have a very costly yard on his hands, and he would have to get a big enough price out of the ships he agreed to build now to pay for the high cost of his plant and high wages in building both the shipyard itself and the ships.

Senator LIPPITT. But you do know that if Mr. Morgan were willing to pay enough for a ship he could get ships built?

Mr. CHAMBERLAIN. I do not think the Senator asked that kind of question.

The CHAIRMAN. My question was at a reasonable profit in the ship-building business.

Mr. CHAMBERLAIN. But, Mr. Chairman, here is the situation that a shipbuilder proposing to start a new yard must consider. He gets a plant. It is an expensive plant. It costs a lot of money to establish a shipyard, and a man is not going to establish a shipyard for the sake of two or three years' business. Men can do that in the manufacture of munitions, as they do now. A lot of these plants have been started up because the prices of war munitions are almost impossible, as you know, and the wages impossible, and the whole situation purely artificial, on the basis of war, which in itself is an abnormal condition of affairs. Shipbuilding is an ordinary trade of peace.

If a man is to start a shipyard he must see that it has a future for it. No sensible man would rely on an extraordinary demand, lasting certainly for two years, probably three, and possibly for four and thereafter uncertainty, because with peace established and ordinary life resumed the shipyards of Great Britain, Germany, and Europe, now devoted to war, will resume ordinary work. No man would go into a shipyard on the basis of extraordinary contracts in that short time, in my judgment. I can not conceive of a prudent business man doing it, unless he has some greater assurance for 1919 and 1920 and later years than is afforded by the prices to-day of merchant ships. Such an assurance might be afforded by a continuing naval program or any policy promising a continuing demand for ships.

The CHAIRMAN. You think it would be impossible to procure the construction of ships to supply the American demand in reasonable time and at reasonable prices?

Mr. CHAMBERLAIN. I am afraid I did not quite get that question.

The CHAIRMAN. According to your view, would any legislation however favorable to the shipping industry result in securing the

construction, under present conditions in the shipbuilding industry, of a reasonable supply of ships in the near future?

Mr. CHAMBERLAIN. Why, we are getting a supply of shipping. These ships we are getting now, Senator. I have given you a table of pretty nearly 1,200,000 tons that are building. We are building ships at this time more rapidly than any country, except Great Britain, ever has built them.

The CHAIRMAN. How much do we need?

Mr. CHAMBERLAIN. To do what? How much do we need for what purpose?

The CHAIRMAN. To supply say 60 per cent of the present requirements for the handling of our foreign commerce?

Mr. CHAMBERLAIN. Perhaps 6,000,000 gross tons, or thereabouts, between six and seven million gross tons, I should say, to supply 60 per cent.

The CHAIRMAN. Then, in your opinion, is it possible by any process of legislation or by any interest that private capital may take in the construction of ships to secure that amount of shipping in the near future?

Mr. CHAMBERLAIN. Not in a long, long time. Not in a very long time.

The CHAIRMAN. It would take a long time for it?

Mr. CHAMBERLAIN. Yes, sir.

The CHAIRMAN. Can not the Government get these ships built, if it appropriates the money, just as well as private capital?

Mr. CHAMBERLAIN. Certainly it can.

The CHAIRMAN. If the Government can not get these ships because of the conditions of our shipbuilding enterprises, then private capital could not get them?

Mr. CHAMBERLAIN. No; it can not. I have a little table here that shows the extent of new orders as they are coming along from month to month. We print every month a statement showing the condition of the shipyards according to the returns builders give us. We also show those finished during the month and new contracts yards have taken in during the month. Briefly, the statements for the past few months make the following showing:

On the 1st of—	Built, or under contract.		New contracts.		Vessels completed.	
	Number.	Gross tons.	Number.	Gross tons.	Number.	Gross tons.
February.....	230	901,371	20	61,136	6	31,329
March.....	244	945,798	107	151,296	5	23,394
April.....	360	1,067,856	20	51,011	6	12,915
May.....	388	1,128,014	20	81,470	13	53,840
June.....	372	1,147,534	.....	.....	.....	.....
Total.....	.....	.....	167	344,913	30	121,478

Practically all the increase during June was for new yards, the older yards were practically full up; some of them say so, and some of them, as I say, are reserving for naval purposes.

Here we had 81,000 tons of new contracts, of which 22,800 tons came from the Willamette Iron & Steel Works out at Portland, Oreg.; Skinner & Eddy took 35,720 tons. You see there is 60,000 tons out of 81,000 in new concerns.

Senator LIPPITT. For what delivery was that?

Mr. CHAMBERLAIN. That Willamette concern promises their first delivery January 1, 1917, and their last one September 1, 1917.

Senator LIPPITT. What sized vessels are those?

Mr. CHAMBERLAIN. They are 5,700 gross tons. Those, by the way, are all for Norwegian owners.

Senator LIPPITT. Would it not be a good idea, Mr. Chairman, to have those statements, say for the three months, printed in the record?

Mr. CHAMBERLAIN. I have them right here if you want them. They have all been printed in the Daily Commerce Reports.

Senator JONES. The facts seem to be, Mr. Chamberlain, that shipbuilding is going on just as fast as the yards and capital and labor can do it. Is that not the case?

Mr. CHAMBERLAIN. I do not think anybody has questioned that.

Senator FLETCHER. The statement which is going in as to what these yards are building, will that statement show how many of these ships are for foreign owners?

Mr. CHAMBERLAIN. I can make a statement as to that pretty exactly. Some do not state for whom they are building, but I will put them down as not ascertainable.

The CHAIRMAN. State how many are for general cargo purposes and how many are for special purposes.

Mr. CHAMBERLAIN. Do you mean tankers by special purposes?

The CHAIRMAN. Yes. Why are others wishing ships coming here if our shipyards are pushed to fulfill their present contracts?

Mr. CHAMBERLAIN. Foreign shipowners some time ago began placing orders in the United States. I do not know that any more are coming. One representative of a foreign shipping company was in the office day before yesterday, and I could only show him the condition of our yards and leave him to reckon for himself the chances for early delivery.

The CHAIRMAN. Are they able to make contracts?

Mr. CHAMBERLAIN. Why not? Foreigners have made many contracts in this country, and more may be made. The real question, however, is time of delivery.

The CHAIRMAN. Were they able to get the ships they wanted built?

Mr. CHAMBERLAIN. Those that had made the contracts some time ago are already beginning to get their ships. I think the chances of getting further deliveries in the next two years are becoming less and less every day.

The CHAIRMAN. And you think there is no disposition to adequately enlarge plants and build new plants?

Mr. CHAMBERLAIN. As I told you, Mr. Chairman, some new plants are building. I have given you the names of some, and also some are enlarging their plants, but I could not tell how much more of that is going to be done.

The CHAIRMAN. You said the Newport News Co., I think, told you that if they could see the probability of a national development of naval construction that they would enlarge their plant?

Mr. CHAMBERLAIN. Yes, sir.

The CHAIRMAN. Now, I ask you the question, If they could see the probability of the national development of our merchant marine, either through the Government or through private capital, if, in your judgment, acting upon the same principle, they would not likely meet that situation by increasing their plant?

Mr. CHAMBERLAIN. Of course they would. But here is what would guide them, that a naval program must be continuing, must go on forever, and competition does not apply, whereas in merchant shipping—

The CHAIRMAN. When the war began the capacity of our munition plants for supplying munitions and armament was very limited, was it not?

Mr. CHAMBERLAIN. Yes, sir.

The CHAIRMAN. To supply the demands of Europe they begun to build new plants and to enlarge the old plants and they have kept up pretty well with the demand. They were building and enlarging to supply what was apparently a temporary demand. Now you think that in the ship building business, if a program is developed, national development, as you called it a little while ago, that unless that was permanent, they would not go into the business of enlargement or of construction of new plants?

Mr. CHAMBERLAIN. I see very little analogy between ammunition plants and the building up of the ship building plants of this country within the last two years. One is for temporary purposes, where the price counts for nothing. The plant can be set up anywhere. A shipyard is a durable concern on a selected site. A shipyard requires great cranes, heavy and expensive machinery, and highly skilled labor. The munitions are wanted at any price, for immediate delivery. That is the only factor—time. Am I not correct in that? The only factor is time, money counts for nothing and the plants can be wiped out—

The CHAIRMAN. You said not only this country but the whole world was in need of shipping and was urgently seeking to secure contracts for the construction of vessels?

As a result of that is it not your conclusion that the demand for ships will be more than a mere temporary demand?

Mr. CHAMBERLAIN. No, sir; certainly not the demand at present prices. It can not be. The losses of merchant ships have been large, about 2,500,000 gross tons have been sunk by submarines, mines, and gun, and the cessation of shipbuilding means another loss, amounting, perhaps in the neighborhood of 3,000,000 tons. If there had been no war perhaps 3,000,000 more tons of ships would have been built than have as a matter of fact been built. There you have a loss of 5,500,000 tons, do you not? When peace comes that is what must be made good, but I presume there is not a man living in the world who has any idea that the world's foreign trade immediately after the war is going to be anything like normal. Read the papers this morning on the subject of allied trade agreements after the war, consider the bitter antagonisms that have been created by this war, and are not going to lapse right off. The world's foreign trade is not going to be as large as it was for the years just before the war after the great commercial nations participating have cost men and resources untold. The tonnage to be replaced amounts perhaps to 5,000,000 tons to meet again normal conditions, but when perhaps one-fourth is bitterly against three-fourths of the rest of the world; antagonisms will control trade and it can not for a long time resume its normal growth. There is not going to be the amount, there is not going to be the need, there is not going to be the work for the ships to

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do, and shipbuilders can not go ahead on that theory of the rate of growth in foreign trade which obtained two years ago.

Senator LIPPITT. Will there not be an enormous amount of ships released from war purposes?

Mr. CHAMBERLAIN. Of course all the German merchant ships in port, and ships that the allied nations are using for naval purposes will be clear. I am only counting what have been lost, ships sunk by submarines and other causes, and the stoppage of building ordinary merchant shipping. Roughly speaking that amounts to a little over 5,000,000 tons. You have that amount to be made up, and how long will it take to do it? Perhaps three or four years, not more than that. And a man is not going to start up a shipbuilding plant and run it for four years and then have it on his hands.

Steel merchant vessels under construction or under contract to be built in private American shipyards on June 1, 1916.

Name.	Merchant tonnage May 1, 1916, less completions. ¹		New contracts closed May, 1916.		Merchant con- struction, June 1, 1916.	
	No.	Tons.	No.	Tons.	No.	Tons.
American Bridge Co., Ambridge, Pa., and Trenton, N. J.....	112	53,564	2	1,160	114	54,724
American Shipbuilding Co., Cleveland, Ohio.....	24	89,200	.....	.....	24	89,200
Baltimore Dry Docks & Shipbuilding Co., Balti- more, Md.....	7	24,500	.....	.....	7	24,500
Bath Iron Works, Bath, Me.....	4	21,600	.....	.....	4	21,600
Charles Barnes Co., Cincinnati, Ohio.....	1	300	1	75	2	375
Chester Shipbuilding Co., Chester, Pa. ²	11	53,600	.....	.....	11	53,600
Clinton Shipbuilding & Repair Co., Philadelphia, Pa.....	1	560	.....	.....	1	560
Cowles Shipyard Co., Buffalo, N. Y.....	2	56	.....	.....	2	56
Elliot Machine Corporation, Baltimore, Md.....	3	750	.....	.....	3	750
Fore River Shipbuilding Corporation, Quincy, Mass.....	13	70,460	.....	.....	13	70,460
George Lawley & Sons Corporation, Neponset, Mass.....	.....	.....	1	75	1	75
Great Lakes Engineering Works, Detroit, Mich.....	16	258,940	.....	.....	16	258,940
Great Lakes Towing Co., Cleveland, Ohio.....	2	180	.....	.....	2	180
Harlan & Hollingsworth Corporation, Wilmington, Del.....	16	69,306	.....	.....	16	69,306
Howard Shipyards Co., Jeffersonville, Ind.....	6	3,400	.....	.....	6	3,400
James Rees & Sons Co., Pittsburgh, Pa.....	2	2300	.....	.....	2	2300
Manitowoc Shipbuilding & Dry Dock Co., Manito- woc, Wis.....	4	1,000	.....	.....	4	1,000
Maryland Steel Co., Sparrows Point, Md.....	9	53,150	1	5,740	10	58,890
Milwaukee Bridge Co., Milwaukee, Wis.....	1	(³)	.....	.....	1	(⁴)
Merrill-Stevans Co., Jacksonville, Fla.....	2	2,200	.....	.....	2	2,200
Moore & Scott Shipbuilding Co., Oakland, Cal.....	4	216,000	.....	.....	4	216,000
Newport News Shipbuilding & Dry Dock Co., New- port News, Va.....	16	111,947	.....	.....	16	111,947
New York Shipbuilding Co., Camden, N. J.....	25	131,788	.....	.....	25	131,788
Pusey & Jones Co., Wilmington, Del.....	7	2,434	.....	.....	7	2,434
Quintard Iron Works, New York, N. Y.....	1	900	.....	.....	1	900
Seattle Construction & Dry Dock Co., Seattle, Wash.....	7	42,600	.....	.....	7	42,600
Skinner & Eddy Corporation, Seattle, Wash.....	.....	.....	6	35,720	6	35,720
Spedden Shipbuilding Co., Baltimore, Md.....	3	730	.....	.....	3	730
Standard Shipbuilding Corporation, New York, N. Y.....	3	14,400	.....	.....	3	14,400
Staten Island Shipbuilding Corporation, Port Rich- mond, N. Y.....	5	5,241	.....	.....	5	5,241
Tampa Foundry & Machine Co., Tampa, Fla.....	1	2,000	.....	.....	1	2,000
Tank Ship Building Corporation, Newburgh, N. Y.....	.....	.....	3	1,500	3	1,500
Toledo Shipbuilding Co., Toledo, Ohio.....	11	25,100	.....	.....	11	25,100
Union Iron Works, San Francisco, Cal.....	21	151,458	2	14,400	23	165,858
Willamette Iron & Steel Works and Northwest Iron Co., Portland, Oreg.....	.....	.....	4	22,800	4	22,800
Wm. Cramp & Sons Ship & Engine Building Co., Philadelphia, Pa.....	12	78,400	.....	.....	12	78,400
Total.....	352	1,066,064	20	81,470	372	1,147,531

¹ The following steel vessels were officially numbered and removed from the statement during May: Steamers Henry G. Dalton, 7,810 gross tons; Winchester, 399 tons; Cubadist, 5,788 tons; Conneaut, 4,749 tons; Edith J. Osgood, 2,483 tons; City of Camden, 730 tons; Munsomo, 3,315 tons; Munplace, 3,315 tons; H. H. Rogers, 10,050 tons; Edgar F. Luckenbach, 8,061 tons; Munabro, 4,385 tons; Mexican steamship Coahuila, 2,585 tons, also completed; total, 13 vessels of 53,840 gross tons.

² Incomplete.

³ Corrected statement.

⁴ Not reported.

Steel merchant vessels under construction or under contract to be built in private American shipyards on June 1, 1916—Continued.

AMERICAN BRIDGE CO., PITTSBURGH, PA.

This company has reported that on June 1 it had under contract or under construction 114 barges, various owners and for various trades, with an aggregate tonnage of 54,724 tons, but no detailed statement is furnished.

AMERICAN SHIPBUILDING CO., CLEVELAND, OHIO.

Vessels.	Gross tonnage.	Speed (knots.)	Owner.	Trade.	Probable date of launching.
<i>Lorain, Ohio, yard.</i>					
D. S. Kerr.....	7,000	10	Pittsburgh Steamship Co....	Freight.....	Spring, 1916.
No. 715.....	7,000	10	Herbert K. Oakes.....	do.....	Do.
No. 716.....	7,000	10	Pittsburgh Steamship Co....	do.....	Do.
No. 717.....	6,400	9½	M. A. Hanna & Co.....	do.....	Do.
No. 718.....	7,200	11	Carl D. Bradley.....	do.....	1917 delivery.
No. 719.....	7,000	10	Pittsburgh Steamship Co....	Cargo.....	Do.
No. 720.....	7,000	10	do.....	do.....	Do.
<i>Cleveland yard.</i>					
No. 459.....	2,100	9½	A. H. Skaugards (foreign)....	Cargo.....	Spring, 1916.
No. 460.....	2,100	9½	Arthur Mathiesen (foreign)....	do.....	Do.
No. 461.....	2,100	9½	Standard Transportation Co....	Oil barge.....	1916 delivery.
No. 462.....	2,100	9½	Atlantic, Gulf & West Indies Steamship Lines....	Cargo.....	Do.
No. 463.....	2,100	9½	Barber & Co. (Inc.)....	do.....	1917 delivery.
No. 464.....	2,100	9½	do.....	do.....	Do.
<i>Detroit yard.</i>					
No. 196.....	2,100	9½	A. O. Lindvig (foreign)....	Cargo.....	Spring, 1916.
No. 197.....	2,100	9½	do.....	do.....	Do.
No. 198.....	2,100	9½	Erling Lund (foreign)....	do.....	Do.
No. 199.....	2,100	9½	Hasler Bros. (Inc.)....	do.....	1916 delivery.
No. 200.....	2,100	9½	Barber & Co. (Inc.)....	do.....	Do.
No. 201.....	2,100	9½	Atlantic, Gulf & West Indies Steamship Lines....	do.....	Do.
No. 202.....	2,100	9½	do.....	do.....	Do.
<i>Chicago yard.</i>					
No. 79.....	2,100	10	Erling Lund (foreign)....	Cargo.....	Spring, 1916.
No. 80.....	2,100	9½	do.....	do.....	1916 delivery.
<i>Superior, Wis., yard.</i>					
No. 524.....	7,000	10	Roy M. Wolvin.....	Cargo.....	1916 delivery.
No. 525.....	2,100	9½	James E. Davidson.....	do.....	Do.
Total (24 vessels)...	89,200				

BALTIMORE DRY DOCKS & SHIPBUILDING CO., BALTIMORE, MD.

No. 74.....	3,500	11½	Transatlantic Motor Ship Co. (foreign).	Bulk oil.....	Apr. 1, 1916.
No. 75.....	3,500	11½	do.....	do.....	Do.
No. 76.....	3,500	11½	do.....	do.....	Oct. 1, 1916.
No. 77.....	3,500	11½	do.....	do.....	Do.
No. 78.....	3,500	11½	Christoffer Hannovig (foreign).	do.....	Do.
No. 79.....	3,500	11½	do.....	do.....	
No. 80.....	3,500	11½	do.....	do.....	
Total (7 vessels)...	24,500				

BATH IRON WORKS, BATH, ME.

No. 71.....	800			Car float.....	
No. 72.....	800			do.....	
No. 73.....		26		Yacht.....	
No. 74.....		26		do.....	
Total (4 vessels)...	1,600				

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Steel merchant vessels under construction or under contract to be built in private American shipyards on June 1, 1916—Continued.

THE CHARLES BARNES CO., CINCINNATI, OHIO.

Vessels.	Gross tonnage.	Speed (knots.)	Owner.	Trade.	Probable date of launching.
Australia.....	300	9	South Australian Government (foreign).	River improvement.	Fall, 1916.
Charles Barnes Co. (not named).	75	6	Kensel & Thompson.....	River.....	June 15, 1916.
Total (2 vessels)....	375				

CHESTER SHIPBUILDING CO., CHESTER, PA.

.....	5,000	.....	For foreign account.....	Oil carrying.....	June, 1916.
.....	5,000	.....	.....do.....	.....do.....	July, 1916.
.....	4,000	.....	For local owners.....	Freighter.....	October, 1916.
.....	5,000	.....	For foreign account.....	Oil carrying.....	Do.
.....	5,000	.....	.....do.....	.....do.....	November, 1916.
.....	5,000	.....	.....do.....	.....do.....	January, 1917.
No. 344.....	5,000	11	.....do.....	.....do.....	April, 1917.
No. 346.....	4,800	11	For local owners.....	Tanker.....	February, 1917.
No. 347.....	4,800	11	.....do.....	Cargo.....	April, 1917.
No. 350.....	5,000	11	For foreign account.....	.....do.....	Do.
Total (11 vessels)....	53,600			Bulk oil.....	December, 1916.

CLINTON SHIPBUILDING & REPAIR CO., PHILADELPHIA, PA.

No. 30.....	560	James J. McNally.....	Coastwise.....	June 1, 1916.
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COWLES SHIPYARD CO., BUFFALO, N. Y.

No. 60.....	20	8	Harry J. Hutchings.....	March, 1916.
No. 61.....	36	10	State of New York.....	Towing.....	Aug. 1, 1916.
Total (2 vessels)....	56				

ELLICOTT MACHINE CORPORATION, BALTIMORE, MD.

No. 6190-1.....	250	11	Pennsylvania R. R. Co.....	.....	Jan. 25, 1916.
No. 6190-2.....	250	11	.....do.....	.....	Feb. 25, 1916.
No. 6190-3.....	250	11	.....do.....	.....	Mar. 25, 1916.
Total (3 vessels)....	750				

FORE RIVER SHIPBUILDING CORPORATION, QUINCY, MASS.

No. 218.....	6,000	12	Luckenbach Steamship Co..	Freight.....	June 1, 1916.
Sucrosa.....	5,000	10 $\frac{1}{2}$	Cube Distilling Co.....	Molasses.....	Mar. 1, 1916.
Mileiro.....	5,000	10 $\frac{1}{2}$	.....do.....	.....do.....	
No. 251.....	6,000	12	Luckenbach Steamship Co..	Freight.....	
No. 253.....	6,000	11	The Texas Co.....	Oil.....	
No. 254.....	6,000	11	.....do.....	.....do.....	
No. 255.....	3,000	10 $\frac{1}{2}$	Argentine Government (foreign).	Naval.....	
No. 284.....	6,000	12	Luckenbach Steamship Co..	Freight.....	
No. 285.....	6,000	12	.....do.....	.....do.....	
No. 267.....	8,100	13	Spanish Government (foreign).	Submarine.....	Summer, 1917.
No. 268.....	6,680	10 $\frac{1}{2}$	Edgar F. Luckenbach.....	Freight.....	Do.
No. 289.....	6,680	10 $\frac{1}{2}$	Mexican Petroleum Co.....	Tanker.....	Do.
Total (13 vessels)....	70,460		.....do.....	.....do.....	

Steel merchant vessels under construction or under contract to be built in private American shipyards on June 1, 1916—Continued.

GEORGE LAWLEY & SONS CORPORATION, NEPONSET, MASS.

Vessels.	Gross tonnage.	Speed (knots.)	Owner.	Trade.	Probable date of launching.
No. 812.....	75	16	W. Earle Dodge.....	Yacht.....	July 1, 1915.

GREAT LAKES ENGINEERING WORKS, DETROIT, MICH.

No. 153.....	500	10	Merritt & Chapman.....	Wrecking tug.....	
No. 154.....	8,000	10	Pittsburgh Steamship Co.....	Freight.....	
No. 157.....	2,500	10	Clyde Steamship Co.....	Coast freight.....	
No. 158.....	2,500	10	.....do.....	.....do.....	
No. 159.....	1,710	10	J. L. Crosthwaite.....	Lake and coast.....	
No. 160.....	2,480	10	Adler (Inc.).....	Coast collier.....	
No. 161.....	2,200	10	Argentine Government (foreign).....	Oil.....	
No. 162.....	2,550	10	Clinchfield Navigation Co.....	Coast collier.....	
No. 163.....	2,550	10	.....do.....	.....do.....	
No. 164.....	8,000	.....	Cleveland Clifford Co.....	Cargo.....	Winter, 1916.
No. 165.....	2,550	.....	Clinchfield Navigation Co.....	Collier.....	Fall, 1916.
No. 166.....	8,000	.....	Buffalo Steamship Co.....	Cargo.....	Winter, 1916.
No. 167.....	8,000	.....	.....do.....	.....do.....	Spring, 1917.
No. 168.....	3,700	11	Not given.....	.....do.....	
No. 169.....	3,700	11	.....do.....	.....do.....	
No. 129.....	.....	13	.....do.....	Car ferry.....	
Total (16 vessels)	58,940				

GREAT LAKES TOWING CO.

No. 39.....	90	9	Great Lakes Towing Co.....	Towing.....	June, 1916.
No. 40.....	90	9	.....do.....	.....do.....	Do.
Total (2 vessels)	180				

HARLAN & HOLLINGSWORTH CORPORATION, WILMINGTON, DEL.

Pearl Shell.....	5,605	11	Shell Co. of California.....	Bulk oil tanker.....	Mar. 1, 1916.
George E. Paddleford.....	5,347	11	Petroleum Transport Co.....	.....do.....	Feb. 15, 1916.
Benjamin Brewster.....	5,605	10 ⁴	Standard Oil Co. of New Jersey.....	.....do.....	June 1, 1916.
W. H. Tilford.....	5,605	10 ⁴	.....do.....	.....do.....	Sept. 15, 1916.
No. 444.....	2,010	10	Baltimore & Carolina Steamboat Co.....	Freight.....	June 1, 1916.
No. 445.....	8,490	10 ⁴	Standard Oil Co. of New Jersey.....	Bulk oil tanker.....	Dec. 1, 1916.
No. 446.....	5,605	10 ⁴	.....do.....	.....do.....	Jan. 15, 1917.
No. 448.....	2,750	10	Vacuum Oil Co.....	Freight.....	Dec. 15, 1916.
No. 449.....	5,605	11	.....do.....	Bulk oil tanker.....	May 1, 1917.
No. 450.....	4,500	12 ⁴	Ocean Steamship Co. of Savannah.....	Freight and passenger.....	Sept. 1, 1917.
No. 451.....	4,500	12 ⁴	.....do.....	.....do.....	Apr. 1, 1918.
No. 452.....	1,404	.....	New York Central R. R. Co.....	Ferry.....	Sept. 1, 1916.
No. 453.....	3,070	10	United Fruit Co.....	Cargo.....	Mar. 1, 1917.
No. 454.....	3,070	10	.....do.....	.....do.....	July 15, 1917.
No. 455.....	3,070	10	.....do.....	.....do.....	Nov. 1, 1917.
No. 456.....	3,070	10	.....do.....	.....do.....	Feb. 1, 1918.
Total (16 vessels)	68,306				

HOWARD SHIPYARDS CO., JEFFERSONVILLE, IND.

.....	450	.....	W. F. Mayo.....		
.....	500	.....	Baton Rouge Transportation Co.....	Ferry.....	
.....	550	.....	Union Ferry Co.....	.....do.....	
.....	500	.....	.....do.....	.....do.....	
.....	500	.....	Amesville Ferry Co.....	.....do.....	
.....	900	.....	L. & J. Ferry Co.....	Passenger.....	
Total (6 vessels)	3,400				

230 SHIPPING BOARD, NAVAL AUXILIARY, AND MERCHANT MARINE.

Steel merchant vessels under construction or under contract to be built in private American shipyards on June 1, 1916—Continued.

JAMES REES & SONS CO., PITTSBURGH, PA.

Vessels.	Gross tonnage.	Speed (knots.)	Owner.	Trade.	Probable date of launching.
Jas. Rees & Sons Co.	300	12	For foreign owners..... For Colombian owners (foreign).	River.....	May, 1916. Ship in parts.
Total (2 vessels)...	300				

MANITOWOC SHIPBUILDING CO., MANITOWOC, WIS.

.....	300	10	Bay State Fishing Co., Boston, Mass.	Trawler.....	May 15, 1916.
.....	300	10	.....do.....	do.....	June 15, 1916.
Geo. A. Wallace.....	300	10	.....do.....	do.....	July 15, 1916.
.....	100	9	City of Cleveland.....	Fire boat.....	May 15, 1916.
Total (4 vessels)...	1,000				

MARYLAND STEEL CO., SPARROWS POINT, MD.

Cornelia.....	3,800	12	Bull Insular Steamship Co..	Freight.....	July 15, 1916.
Helen.....	3,800	12	.....do.....	do.....	Sept. 1, 1916.
No. 157.....	4,000	10	Munson Steamship Co.....	.....do.....	Aug. 15, 1916.
A. C. Bedford.....	10,000	10	Standard Oil Co.....	Bulk oil.....	Nov. 1, 1916.
W. C. Toagle.....	10,000	10	.....do.....	do.....	Jan. 1, 1917.
Mayari.....	7,150	10	Spanish-American I. Co.....	Freight.....	April, 1917.
Dalquiri.....	7,150	10	.....do.....	do.....	May, 1917.
No. 164.....	3,450	9	Christopher Hannevig, Jr. (foreign).	.....do.....	February, 1917.
No. 163.....	3,800	12	Munson Steamship Line.....	.....do.....	
No. 162.....	5,740	11	Bethlehem Steel Corporation.....	Cargo.....	
Total (10 vessels)...	58,890				

MILWAUKEE BRIDGE CO.

This company has reported one vessel under construction, tonnage not stated.

MERRILL-STEVENS CO.

Vessels.	Gross tonnage.	Speed (knots).	Owner.	Trade.	Probable date of launching.
No. 89.....	1,700	10	Gulf & Southern Steamship Co.....	Cargo.....	November, 1916.
.....	500	7	Cuba Distilling Co.....	do.....	December, 1916.
Total (2 vessels)...	2,200				

MOORE & SCOTT IRON WORKS, OAKLAND, CAL.

No. 108.....	.....	.....	For French owners (foreign).	Hopper barge.....	
No. 109.....	5,000	.....	Rolph Navigation Co.....	Cargo.....	
No. 110.....	5,000	.....	Port Costa Steamship Co.....	.....do.....	
.....	6,000	.....	Huasteca Petroleum Co.....	Tanker.....	
Total (4 vessels)...	16,000				July 1, 1917.

SHIPPING BOARD, NAVAL AUXILIARY, AND MERCHANT MARINE. 231

Steel merchant vessels under construction or under contract to be built in private American shipyards on June 1, 1916—Continued.

NEWPORT NEWS SHIPBUILDING & DRY DOCK CO., NEWPORT NEWS, VA.

Vessels.	Gross tonnage.	Speed (knots.)	Owner.	Trade.	Probable date of launching.
Antwerpen.....	8,374	10 $\frac{1}{2}$	Standard Oil Co.....	Oil carrier.....	July, 1916.
Henry R. Mallory.....	6,000	14	Mallory Steamship Co.....	Freight and passengers.....	October, 1916.
Wm. G. Warden.....	10,900	10 $\frac{1}{2}$	Standard Oil Co.....	Oil carrier.....	November, 1916.
F. Q. Barstow.....	10,900	10 $\frac{1}{2}$	do.....	do.....	December, 1916.
No. 198.....	5,900	10	Crowell & Thurlow Steamship Co.....	Freight.....	September, 1916.
No. 199.....	5,900	10	do.....	do.....	December, 1916.
No. 200.....	4,600	10 $\frac{1}{2}$	Munson Steamship Co.....	do.....	February, 1917.
No. 201.....	10,900	10 $\frac{1}{2}$	Standard Oil Co.....	Oil carrier.....	August, 1917.
Torres.....	5,125	11	Southern Pacific Co.....	do.....	May, 1917.
El Mirante.....	4,500	11	do.....	Freight.....	Do.
El Capitan.....	4,500	11	do.....	do.....	June, 1917.
No. 205.....	8,400	10 $\frac{1}{2}$	Atlantic Refining Co.....	Oil carrier.....	July, 1917.
No. 206.....	4,600	10 $\frac{1}{2}$	Munson Steamship Co.....	do.....	November, 1917.
No. 207.....	4,600	11	do.....	Cargo.....	December, 1917.
No. 208.....	8,374	.....	Standard Oil Co.....	Bulk oil.....	
No. 209.....	8,374	.....	do.....	do.....	
Total (16 vessels)...	111,947				

NEW YORK SHIPBUILDING CO., CAMDEN, N. J.

Standard Arrow.....	10,250	11	Standard Transportation Co.....	Bulk oil.....	Spring, 1916.
Royal Arrow.....	10,250	11	do.....	do.....	Winter, 1916.
No. 170.....	10,250	11	Petroleum Transport Co.....	do.....	Do.
No. 172.....	5,188	11 $\frac{1}{2}$	Gulf Refining Co.....	do.....	Fall, 1916.
No. 173.....	10,250	11	do.....	do.....	Spring, 1917.
Sylvan Arrow.....	10,250	11	Standard Transportation Co.....	do.....	Do.
Broad Arrow.....	10,250	11	do.....	do.....	Fall, 1917.
No. 176.....	8,500	10 $\frac{1}{2}$	Darrow-Mann Co.....	Collier.....	Winter, 1916.
No. 177.....	5,266	10 $\frac{1}{2}$	do.....	do.....	Spring, 1917.
No. 178.....	750	.....	New York Central & Hudson River R. R. Co.....	Car float.....	Spring, 1916.
No. 179.....	750	.....	do.....	do.....	Do.
No. 180.....	750	.....	do.....	do.....	Fall, 1916.
No. 181.....	750	.....	do.....	do.....	Do.
No. 182.....	5,266	10 $\frac{1}{2}$	Coastwise Transportation.....	Collier.....	Spring, 1917.
No. 183.....	3,289	10 $\frac{1}{2}$	Pocahontas Navigation Co.....	do.....	Summer, 1917.
No. 184.....	5,266	10 $\frac{1}{2}$	Darrow-Mann Co.....	do.....	Do.
No. 185.....	765	.....	New York Central & Hudson River R. R. Co.....	Car float.....	Winter, 1916.
No. 186.....	765	.....	do.....	do.....	Do.
No. 187.....	765	.....	do.....	do.....	Spring, 1917.
No. 188.....	765	.....	do.....	do.....	Do.
No. 189.....	5,188	11 $\frac{1}{2}$	Gulf Refining Co.....	Bulk oil.....	Winter, 1917.
No. 190.....	10,250	11	Petroleum Transport Co.....	do.....	Spring, 1918.
No. 191.....	5,266	10 $\frac{1}{2}$	Darrow-Mann Co.....	Collier.....	Do.
No. 192.....	5,266	10 $\frac{1}{2}$	do.....	do.....	Do.
No. 193.....	5,483	11	Carpenter-O'Brien Co.....	Lumber.....	Do.
Total (25 vessels)...	131,788				

THE PUSEY & JONES CO., WILMINGTON, DEL.

No. 1306.....	328	.....	Pennsylvania R. R. Co.....	Freight.....	Dec. 29, 1915.
No. 1306.....	328	.....	do.....	do.....	Jan. 29, 1916.
No. 1306.....	328	.....	do.....	do.....	Feb. 29, 1916.
Winterthur.....	100	.....	Philadelphia & Reading R. R.	Towing.....	Mar. 1, 1916.
No. 1313.....	300	.....	W. & A. Fletcher Co.....	do.....	Apr. 6, 1916.
No. 1326.....	300	.....	Not given.....	do.....	
No. 1334.....	750	.....	do.....	Yacht.....	
Total (7 vessels)...	2,434				

232 SHIPPING BOARD, NAVAL AUXILIARY, AND MERCHANT MARINE.

Steel merchant vessels under construction or under contract to be built in private American shipyards on June 1, 1916—Continued.

QUINTARD IRON WORKS CO., NEW YORK, N. Y.

Vessels.	Gross tonnage.	Speed (knots.)	Owner.	Trade.	Probable date of launching.
Mary Chilton.....	900	17	Nantasket Beach Steam-boat Co.	.....	Apr. 1, 1916.

SEATTLE CONSTRUCTION & DRY DOCK CO.

No. 85.....	3,900	12	New York & Cuba Mail Steamship Co.	Freight.....	May, 1916.
No. 86.....	3,900	12	.....do.....	do.....	June, 1916.
.....	7,500	.....	A. O. Anderson & Co. (foreign).	do.....	June, 1917.
.....	7,500	.....	.....do.....	do.....	Do.
No. 91.....	8,000	12	Edgar F. Luckenbach	do.....	Do.
No. 92.....	4,300	10½	For foreign account.....	Freight.....	
Total (7 vessels)...	42,600				

SKINNER & EDDY CORPORATION, SEATTLE, WASH.

Jennette Skinner.....	5,730	11½	Not given.....	.....	September, 1916.
Ethel Eddy.....	5,730	11½	.....do.....	.....	October, 1916.
No. 3.....	6,400	10½	Standard Oil Co. of New Jersey.	Bulk oil.....	December, 1916.
No. 4.....	6,400	10½	.....do.....	do.....	February, 1917.
No. 5.....	5,730	11½	Builders' account.....	Cargo.....	July, 1917.
No. 6.....	5,730	11½	.....do.....	do.....	August, 1917.
Total (6 vessels)...	35,720				

SPEEDEN SHIPBUILDING CO., BALTIMORE, MD.

John T. Donohue....	235	.....	Northern Transportation Co.	Tug.....	June 1, 1916.
No. 245.....	70	.....	Standard Oil Co.	Oil barge.....	Do.
Northern.....	425	.....	Northern Transportation Co.	Tug.....	Dec. 1, 1916.
Total (3 vessels)...	730				

STANDARD SHIPBUILDING CORPORATION.

No. 1.....	4,800	10½	Builder's account.....	Cargo.....	December, 1916.
No. 2.....	4,800	10½	.....do.....	do.....	February, 1917.
No. 3.....	4,800	10½	.....do.....	do.....	April, 1917. .
Total (3 vessels)...	14,400				

STATEN ISLAND SHIPBUILDING CO., PORT RICHMOND, N. Y.

No. 680.....	300	.....	Pennsylvania R. R. Co.....	Steam lighter.....	
No. 681.....	300	.....	New York Central & Hudson River R. R. Co.	House barge.....	
No. 684.....	241	.....	Lehigh Valley R. R. Co.....	Tug.....	
No. 688.....	2,200	12	Clinchfield Navigation Co.	Cargo.....	
No. 689.....	2,200	12	.....do.....	do.....	
Total (5 vessels)...	5,241				

TAMPA FOUNDRY & MACHINE CO., TAMPA, FLA.

.....	2,000	Central Hudson Steamboat Co.	
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SHIPPING BOARD, NAVAL AUXILIARY, AND MERCHANT MARINE. 233

Steel merchant vessels under construction or under contract to be built in private American shipyards on June 1, 1916—Continued.

TANK-SHIP BUILDING CORPORATION, NEWBURGH, N. Y.

Vessels.	Gross tonnage.	Speed (knots.)	Owner.	Trade.	Probable date of launching.
No. 1.....	500	.....	Tampico Navigation Co.....	Oil barge.....	August, 1916.
No. 2.....	500	.....	.....do.....	do.....	Do.
No. 3.....	500	.....	.....do.....	do.....	September, 1916.
Total (3 vessels)...	1,500				

TOLEDO SHIPBUILDING CO., TOLEDO, OHIO.

No. 131.....	1,700	7	Smith Shipping Co. (Inc.).....	Freight.....	April, 1916.
No. 132.....	1,700	7	.....do.....	do.....	Do.
No. 133.....	1,700	7	.....do.....	do.....	May, 1916.
No. 134.....	1,700	7	.....do.....	do.....	June, 1916.
No. 135.....	1,700	7	.....do.....	do.....	July, 1916.
No. 136.....	1,700	7	.....do.....	do.....	August, 1916.
No. 137.....	7,700	10 ¹	Great Lakes Steamship Co.....	do.....	Do.
No. 138.....	1,800	10	R. Lawrence Smith.....	do.....	1917 delivery.
No. 139.....	1,800	10	.....do.....	do.....	Do.
No. 140.....	1,800	10	.....do.....	do.....	Do.
No. 141.....	1,800	10	.....do.....	do.....	Do.
Total (11 vessels)...	25,100				

UNION IRON WORKS CO., SAN FRANCISCO, CAL.

No. 124.....	8,100	11	Standard Oil Co. of California.....	Oil tanker.....	July 5, 1916.
No. 125.....	7,100	11	Standard Transportation Co. of Delaware.....	.....do.....	Aug. 5, 1916.
No. 126.....	6,430	11	Rolph Navigation Co.....	General cargo.....	Apr. 1, 1916.
No. 127.....	9,728	16	Matson Navigation Co.....	Cargo and passengers.	Nov. 4, 1916.
No. 128.....	8,100	11	Standard Oil Co. of New York.....	Oil tanker.....	Aug. 12, 1916.
No. 129.....	7,200	11	J. W. Van Dyke.....	do.....	Nov. 18, 1916.
No. 130.....	7,200	11	.....do.....	do.....	Dec. 16, 1916.
No. 131.....	7,100	11	Vacuum Oil Co.....	do.....	January, 1917.
No. 132.....	6,200	11	Walker-Armstrong Co.....	General cargo.....	Oct. 2, 1916.
No. 133.....	6,200	11	Rolph Navigation Co.....	do.....	Do.
No. 134.....	10,500	11	Standard Oil Co. of New Jersey.....	Oil tanker.....	Jan. 2, 1917.
No. 135.....	10,500	11	.....do.....	do.....	Feb. 2, 1917.
No. 136.....	6,200	11	Standard Transportation Co. of Delaware.....	General cargo.....	Nov. 25, 1916.
No. 137.....	6,200	11	.....do.....	do.....	Do.
No. 138.....	6,200	11	Not given.....	do.....	Jan. 25, 1916.
No. 139.....	6,200	11	.....do.....	do.....	Do.
No. 140.....	7,200	11	Wilhelm Jebsen, foreign.....	Oil tanker.....	Mar. 5, 1917
No. 141.....	7,200	11	Not given.....	do.....	Do.
No. 142.....	3,500	9	For European owners, foreign.....	Freight.....	Sept. 1, 1916.
No. 143.....	7,200	11	Not given.....	Tanker.....	July, 1917.
No. 144.....	7,200	11	.....do.....	do.....	Do.
No. 145.....	7,200	11	Pan-American Petroleum & Transport Co.....	Bulk oil.....	August, 1917.
No. 146.....	7,200	11	.....do.....	do.....	September, 1917.
Total (23 vessels)...	165,858				

WILLAMETTE IRON & STEEL WORKS AND NORTHWEST STEEL CO., PORTLAND, OREG.

Lauritz Kloster.....	5,700	10 ¹	Lauritz Kloster (foreign).....	Cargo.....	Jan. 1, 1917.
Ellen Kloster.....	5,700	10 ¹	.....do.....	do.....	Mar. 1, 1917.
Peder Kleppe.....	5,700	10 ¹	Peder Kleppe (foreign).....	do.....	June 1, 1917.
Willey Gilbert.....	5,700	10 ¹	Willey Gilbert (foreign).....	do.....	Sept. 1, 1917.
Total (4 vessels)...	22,800				

234 SHIPPING BOARD, NAVAL AUXILIARY, AND MERCHANT MARINE.

Steel merchant vessels under construction or under contract to be built in private American shipyards on June 1, 1916—Continued.

WILLIAM CRAMP & SONS SHIP & ENGINE BUILDING CO., PHILADELPHIA, PA.

Vessels.	Gross tonnage.	Speed (knots.)	Owner.	Trade.	Probable date of launching.
No. 428.....	7,100	11	Petroleum Transport Co.....	Bulk oil.....	Launched.
No. 431.....	7,100	11	Sun Co.....	do.....	May 15, 1916.
No. 432.....	7,100	11	do.....	do.....	June 15, 1916.
No. 433.....	2,700	12	Florida East Coast Ry. Co.....	Car ferry.....	July 20, 1916.
No. 434.....	8,000	17	Atlantic, Gulf & West Indies Steamship Co.	Passengers and freight.	Mar. 1, 1916.
No. 435.....	8,000	17	do.....	do.....	Jan. 2, 1917.
Santa Rosa.....	6,300	12	W. R. Grace & Co.....	Freight.....	Oct. 2, 1916.
Santa Paula.....	6,300	12	do.....	do.....	Nov. 1, 1916.
No. 440.....	7,100	11	Petroleum Transport Co.....	Bulk oil.....	Oct. 1, 1916.
No. 441.....	7,100	11	do.....	do.....	Nov. 2, 1916.
No. 442.....	5,800	13	W. R. Grace & Co.....	Passengers and cargo.	May, 1917.
No. 443.....	5,800	13	do.....	do.....	June, 1917.
Total (12 vessels) ..	78,400				

SUMMARY, DATES OF LAUNCHINGS.

Name of builder.	Fiscal year—					
	1915-16 (balance of June).		1916-17		1917-18	
	Number.	Gross.	Number.	Gross.	Number.	Gross.
American Bridge Co., Ambridge, Pa.....			114	54,724		
Bath Iron Works, Bath, Me.....			4	1,600		
The Charles Barnes Co., Cincinnati, Ohio.....			2	375		
Ellicott Machine Corporation, Baltimore, Md.....	1	250	2	500		
Fore River Shipbuilding Corporation, Quincy, Mass.....	1	5,000	10	52,100	2	13,360
James Rees & Sons Co., Pittsburgh, Pa.....			2	300		
Manitowoc Shipbuilding Co., Manitowoc, Wis.....	1	100	3	900		
New York Shipbuilding Co., Camden, N. J.....	1	10,250	19	90,085	5	31,497
Quintard Iron Works, New York, N. Y.....			1	900		
Seattle Construction & Dry Dock Co., Seattle, Wash.....			5	30,300	2	12,300
Tampa Foundry & Machine Co., Tampa, Fla.....			1	2,000		
Toledo Shipbuilding Co., Toledo, Ohio.....	1	1,700	10	23,400		
Union Iron Works, San Francisco, Cal.....	1	7,000	18	130,058	4	28,800
Great Lakes Towing Co., Cleveland, Ohio.....			2	180		
Harlan & Hollingsworth Corporation, Wilmington, Del.....	2	10,952	9	40,144	5	18,210
Merrill-Stevens Co., Jacksonville, Fla.....			2	2,200		
Newport News Shipbuilding & Dry Dock Co., Newport News, Va.....			10	66,699	6	45,248
Pusey & Jones Co., Wilmington, Del.....			7	2,434		
Staten Island Shipbuilding Co., Port Richmond, N. Y.....			5	5,241		
Wm. Cramp & Sons Ship & Engine Building Co., Philadelphia, Pa.....			12	78,400		
Milwaukee Bridge Co., Milwaukee, Wis.....			1	(¹)		
American Shipbuilding Co., Cleveland, Ohio.....	2	14,000	22	75,100		
Baltimore Dry Docks & Shipbuilding Co., Baltimore, Md.....			7	24,500		
Chester Shipbuilding Co., Chester, Pa.....			11	53,600		
Clinton Shipbuilding & Repair Co., Philadelphia, Pa.....	1	580	1	36		
Cowles Shipyard Co., Buffalo, N. Y.....	1	20				
Great Lakes Engineering Works, Detroit, Mich.....			16	58,990		
Howard Shipyards Co., Jeffersonville, Ind.....			6	3,400		
Maryland Steel Co., Sparrows Point, Md.....			10	58,998		
Moore & Scott Iron Works, Oakland, Cal.....			3	10,000	1	6,000
Standard Shipbuilding Corporation, New York, N. Y.....			3	14,400		
Spedden Shipbuilding Co., Baltimore, Md.....			3	730		
Skinner & Eddy Corporation, Seattle, Wash.....			4	24,260	2	11,460
Tank Ship Building Corporation, Newburgh, N. Y.....			3	1,500		
Willamette Iron & Steel Works & Northwest Steel Co., Portland, Ore.....			3	17,100	1	5,700
Geo. Lawley & Sons Corporation, Neponset, Mass.....			1	75		
Total.....		12	49,832	332	925,127	28
						172,575

¹ Not given.

The CHAIRMAN. There are some who disagree with you about that; there are some who claim that when the war closes there will be great activity in the trade between the nations of the world.

Mr. CHAMBERLAIN. Mine is merely an opinion for what it is worth. You can accept it or throw it away. After the Napoleonic wars just 100 years ago, the foreign trade of the world went through the period of depression I have indicated, but it may prove different now.

The CHAIRMAN. I believe that is all we desire, Mr. Chamberlain.

Mr. CHAMBERLAIN. I am very much obliged.

Senator LIPPITT. I move that the table referred to by Mr. Chamberlain be included in the record.

The CHAIRMAN. If there is no objection, that will be done.

(Subsequently the following letter of the Commissioner of Navigation to Senator Jones was submitted to the committee and ordered to be printed in the record, as follows:)

DEPARTMENT OF COMMERCE,
BUREAU OF NAVIGATION,
Washington, June 27, 1916.

Hon. WESLEY L. JONES,

United States Senate, Washington, D. C.

DEAR SENATOR JONES: Until to-day I have not had the chance to have added the tonnage of ocean steamships of 14 knots speed or over, which you asked for at the hearing.

I attach the list of the principal ocean passenger lines having such steamships, taken from Lloyd's Register for 1915, aggregating 773 ocean steamships of 6,023,780 gross tons (an average of about 8,000 gross tons each). During the past year a number of these have been sunk by German submarines or by mines, but I can not undertake to go over the lists to make these individual subtractions.

In addition there were a year ago 531 smaller steamers of 14 knots or over, aggregating 1,111,734, made up mainly of fast ferryboats, such as the English Channel ferries of which Senator Lippitt spoke, similar ferries connecting the railways of England and Ireland and Holland, Italy and Sicily, Sweden and Germany and Russia, etc. (water connections between railroad terminals), similar ferries in the United States.

This miscellaneous total includes also single large ocean passenger ships of 14 knots or over, owned by companies whose fleets are less than 14 knots with this single exception.

Will you kindly show this to Senator Lippitt, if he is interested? I shall send a copy to Senator Simmons.

Sincerely, yours,

E. T. CHAMBERLAIN, *Commissioner.*

Company.	Nationality.	Number.	Gross tons.
Cunard Steamship Co. (Ltd.)	British	12	230,650
White Star Line (Oceanic Steam Navigation Co., Ltd.)	do	13	249,741
Union-Castle Mail Steamship Co. (Ltd.)	do	17	175,757
Union Steamship Co. of New Zealand (Ltd.)	do	21	95,980
Peninsular & Oriental Steam Navigation Co.	do	62	499,480
Royal Mail Steam Packet Co.	do	21	187,206
Hamburg-American Line	German	22	316,601
Hamburg-South American Line	do	6	58,577
North German Lloyd	do	32	340,644
Messageries Maritimes	French	16	104,964
Compagnie Generale Transatlantique	do	30	189,827
Adelaide Steamship Co. (Ltd.)	British	4	26,937
Allan Line Steamship Co. (Ltd.)	do	12	136,280
Anchor Line (Ltd.), (Henderson Bros.)	do	7	70,609
Atlantic Transport Co. (Ltd.)	do	5	61,925
Australian Steamships (Ltd.)	do	5	18,415
Australasian United Steam Navigation Co. (Ltd.)	do	10	48,816
Bibby Steamship Co. (Ltd.)	do	7	53,968
Booth Steamship Co. (Ltd.)	do	6	36,098
British India Steam Navigation Co. (Ltd.)	do	41	190,225
Canadian Pacific Ry. Co.	do	23	148,114
Cayzer, Irvine & Co (Ltd.)	do	9	47,268

Company.	Nationality.	Number.	Gross tons.
Chargeurs Reunis Compagnie.....	French.....	7	53,743
China Mutual Steam Navigation Co. (Ltd.).....	British.....	9	75,269
Commonwealth & Dominion Line (Ltd.).....	do.....	2	18,288
Compagnie Belge Maritime du Congo.....	Belgian.....	3	22,456
Compagnie de Navigation Sud Atlantique.....	French.....	7	76,896
Compania Transatlantica.....	Spanish.....	10	59,594
Deutsche Ost-Afrika Line.....	German.....	7	49,483
Donaldson Bros. (Ltd.).....	British.....	4	34,405
Elder, Dempster & Co. (Ltd.).....	do.....	5	28,807
Elders & Fyffes (Ltd.).....	do.....	7	42,688
Ellerman Lines (Ltd.).....	do.....	6	49,544
Fabre, Cyprien & Co.....	French.....	7	53,783
Federal Steam Navigation Co. (Ltd.).....	British.....	6	55,274
Forenede Dampselskabs Selskab (Det.).....	Danish.....	14	58,190
Houston, R. P., & Co.....	British.....	3	17,077
International Mercantile Marine Co. (American Line).....	American.....	4	44,842
Italia, Societa di Navigazione a Vapore.....	Italian.....	3	18,213
Koninklijke Hollandsche Lloyd.....	Dutch.....	5	50,607
"La Veloce" Navigazione Italiana a Vapore.....	Italian.....	5	34,495
Lampert & Holt (Ltd.).....	British.....	6	46,201
Leyland, F., & Co. (Ltd.).....	do.....	7	64,740
Lloyd Brasileiro.....	Brazilian.....	7	23,369
Lloyd Sabaudo, Societa Anonima Fer Azioni.....	Italian.....	4	28,066
McIlwraith, McEscharn & Co., Proprietary (Ltd.).....	British.....	2	16,815
Mallory Steamship Co.....	American.....	5	27,044
Matson Navigation Co.....	do.....	2	16,703
Navigazione Generale Italiana.....	Italian.....	7	56,848
"Nederland," Stoomvaart Maatschappij.....	Dutch.....	9	68,059
Nederlandsch-Amerikaansch Stoomvaart Maatschappij.....	do.....	6	111,378
New England Steamship Co.....	American.....	20	65,376
New York & Cuba Mail Steamship Co.....	do.....	6	34,397
New Zealand Shipping Co. (Ltd.).....	British.....	5	55,051
Nippon Yusen Kabushiki Kaisha.....	Japanese.....	27	193,611
Norske Amerikalinje, Den.....	Norwegian.....	2	21,335
Ocean Steamship Co. (Ltd.) (Alfred Holt & Co.).....	British.....	14	119,629
Oceanic Steamship Co.....	American.....	3	18,550
Old Dominion Steamship Co.....	do.....	5	17,707
Orient Steam Navigation Co. (Ltd.).....	British.....	9	97,518
Pacific Coast Steamship Co.....	American.....	5	23,806
Pacific Mail Steamship Co.....	do.....	7	76,127
Pinillos, Izquierdo & Co., S. en C.....	Spanish.....	4	27,744
Rotterdamsche Lloyd.....	Dutch.....	13	80,264
Russian East-Asiatic Steamship Co. (Ltd.).....	Russian.....	5	30,897
Russian Steam Navigation & Trading Co.....	do.....	7	36,384
Russian Volunteer Fleet Association.....	do.....	6	24,464
San Francisco & Portland Steamship Co.....	American.....	3	12,482
"Sicula Americana" Societa di Navigazione a Vapore.....	Italian.....	2	18,641
Societa di Navigazione a Vapore del Lloyd Austriaco.....	Austrian.....	19	89,724
Societa di Navigazione "Sicilia".....	Italian.....	6	36,374
Societa Italiana di Servizi Marittima.....	do.....	8	38,672
Societa Marittima Italiana.....	do.....	3	11,926
Societe Generale de Transports Maritimes a Vapeur.....	French.....	5	23,194
Southern Pacific Co. (Atlantic Steamship Lines).....	American.....	16	96,215
Thompson, Geo., & Co. (Ltd.) (Aberdeen Line).....	British.....	5	53,042
Toyo Kisen Kabushiki Kaisha.....	Japanese.....	5	55,727
Transatlantica Italiana Societa di Navigazione.....	Italian.....	3	20,091
Turnbull, Martin & Co.....	British.....	2	10,392
Unione Austrica di Navigazione.....	Austrian.....	8	54,688
Total.....		773	6,023,780

Mr. FLETCHER. Mr. Chairman, I submit this letter, which I ask to be printed in the hearings:

JACKSONVILLE, FLA., June 28, 1916.

Hon. DUNCAN U. FLETCHER,
Washington, D. C.

MY DEAR SENATOR: We note in the press, and we realize that the danger is imminent, that should war with Mexico come the Government would need to employ ships for various service.

We write and respectfully request that you do all in your power, in the above eventuality, to try and make plain that in justice to the people engaged in the coastwise trade that the Government should not take any more ships than is imperatively necessary from the coastwise tonnage.

We have been the sufferers throughout the disturbances of the past two years, and the lumber business can not stand much more.

We regard this as an extremely serious condition, and the whole lumber industry of our State would feel under deep obligations to you for any service in our behalf.
With kind regards, we are, yours, very truly,

F. D. SHORE LUMBER Co.,
By FRANCIS S. MASON,
Secretary and Treasurer.

The CHAIRMAN. I submit these resolutions of the Lincoln (Nebr.) Commercial Club for publication in the hearings.

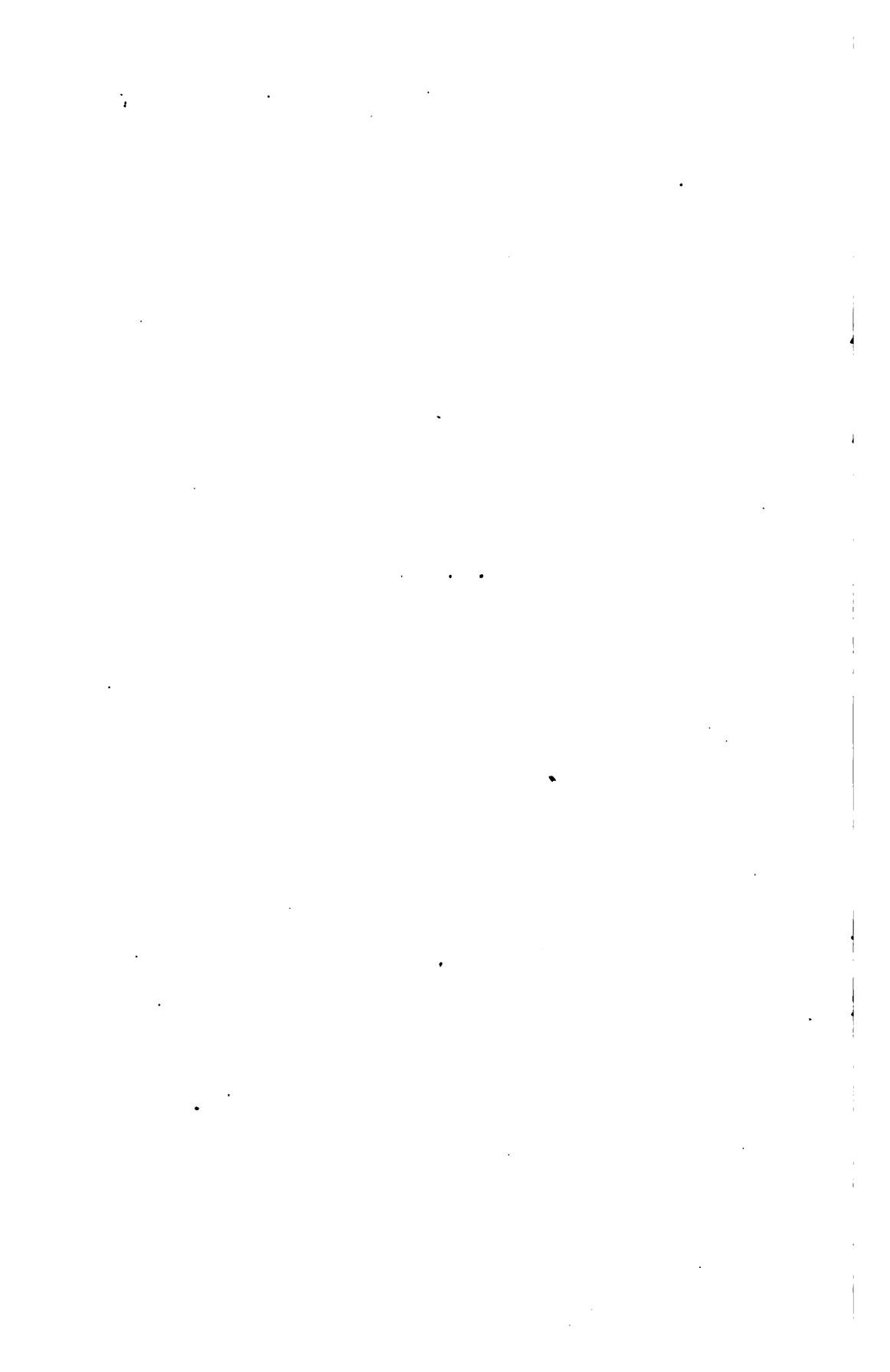
LINCOLN COMMERCIAL CLUB,
Lincoln, Nebr.

Resolution adopted at a special meeting of the board of directors of the Lincoln Commercial Club, 12 o'clock noon, Wednesday, May 24, 1916:

Resolved, That, as an effective measure to establish a United States shipping board for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve, and a merchant marine, to meet the imperative requirements of the commerce of the United States with its Territories and possessions, and with foreign countries, and for other purposes, the board of directors of the Lincoln Commercial Club of Lincoln, Nebr., in conference assembled, this 24th day of May, 1916, hereby indorses the shipping bill (H. R. 15455), introduced in the Sixty-fourth Congress, first session, May 8, 1916, by Mr. Alexander, and passed by the House of Representatives May 20, 1916; and be it further

Resolved, That this board of directors officially, and every member present at this conference, hereby pledges to urge the United States Senators from Nebraska, by letter, to actively support the aforesaid Alexander shipping bill.

(Thereupon at 11 o'clock p. m. the committee adjourned, subject to call of the chairman.)



CREATING A SHIPPING BOARD, A NAVAL AUXILIARY, AND A MERCHANT MARINE.

SATURDAY, JUNE 24, 1916.

UNITED STATES SENATE,
COMMITTEE ON COMMERCE,
Washington, D. C.

The subcommittee met in the committee room, Capitol, at 12.15 p. m. pursuant to adjournment, Senator F. M. Simmons presiding.

Present: Senators Simmons (chairman), Fletcher, and Jones.

Also present: Senator Ransdell, Mr. M. J. Sanders.

The subcommittee resumed the consideration of the bill (H. R. 15455) to establish a United States shipping board for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve and a merchant marine to meet the requirements of the commerce of the United States with its Territories and possessions and with foreign countries; to regulate carriers by water engaged in the foreign and interstate commerce of the United States; and for other purposes.

Senator RANSDELL. Mr. Chairman, I wish to introduce Mr. M. J. Sanders to the committee.

STATEMENT OF MR. M. J. SANDERS, PRESIDENT BOARD OF TRADE, NEW ORLEANS, LA.

Mr. SANDERS. I am going to take as little time of the committee as possible, because we have the traffic manager of the joint traffic bureau of New Orleans, who will take a little more of your time with some details, and a little statement he has prepared.

The New Orleans Board of Trade has for a long time past watched the suggested legislation in regard to shipping and has on several occasions passed resolutions urging that Congress would, before acting on any shipping matter, appoint an expert board of investigation. They passed a resolution a week or two ago, a copy of which we have sent to our Senators, in which they express their sentiments as follows, if I may read it:

Whereas the New Orleans Board of Trade is earnestly desirous of such action by the Federal Government as will assist in building up an American Merchant Marine; and

Whereas we are absolutely convinced that any method whereby Government-owned ships will be operated, either directly by the Government or under private charter, as merchant carriers, will be an added and powerful factor in preventing the investment of the private capital in American merchant shipping: Therefore be it

Resolved, That the New Orleans Board of Trade (Ltd.) is strongly opposed to the provisions of what is known as the Alexander bill (H. R. 15455) now before the Senate, and earnestly urges unfavorable action thereon.

Be it further resolved, That this board of trade again petitions Congress for the immediate appointment of a special board of expert commercial men instructed to thoroughly investigate all present conditions affecting our American shipping, and to devise methods whereby existing disabilities may be removed and the development of an American merchant marine may be assured.

The CHAIRMAN. What is the date of those resolutions?

Mr. SANDERS. June 14, 1916. That was the last of our resolutions. I have here a list of other resolutions passed the last three or four years, but hardly think I want to burden your record with them. They are all to the same tenor, pretty much.

I wish to say that after passing those resolutions, or, rather, just before passing those resolutions, we obtained a copy of the Alexander bill, as presented before you. We had not read it fully and completely even when these resolutions were passed, but we read it carefully afterwards, and we were astonished to find included in the provisions of the bill other matters than the proposed appointment of a board with \$50,000,000 to buy ships with, as provided, and, reading further on in the bill, we find other matters which perhaps intimately affect the special interests of New Orleans and the Mississippi Valley. I refer to that portion of the bill from section 17 on.

Our importance, as you know, gentlemen, as a port and as a city, is largely because of our location at the mouth of the Mississippi River, which, before the development of railroads, was the great carrier from the inland districts to the seaboard.

The river traffic has pretty well been destroyed by conditions which I need not describe. But we are beginning to realize, and I think the valley is especially, in view of the possibilities of this country engaging largely in foreign trade and competing strongly for that foreign trade with other foreign countries—we believe that a very large section of the United States is at a great disability in competing for foreign trade because of its long distance to the seaboard from any ports, and we believe that that section of the country, if it is to enter seriously into foreign trade, must have the most economical form of transportation possible from the interior to the seaboard.

It is beyond a question that under proper conditions, before the conditions of competition, a sufficient volume of traffic and the employment of the most economical form of carrier for water transportation, that that form of transportation is the much cheaper one than is possible by rail. I say that is beyond question. We have endless examples of that in our own country on the Great Lakes, on some of our rivers even, and more particularly so in European countries, where river traffic has assumed very great importance in the last 20 years.

We believe, therefore, now that the Government has spent its millions in developing the Mississippi River, so that from St. Louis to New Orleans there is an all-year-round channel now available sufficient for good barge traffic, for economical traffic, that there is a great opportunity to carry the product of the Mississippi River Valley down the river to a port on the seaboard very much cheaper than could possibly be done by rail, and the New Orleans Board of Trade has reached the conclusion that the time is about ripe for a serious effort to reestablish water traffic on the Mississippi River and its tributaries.

The difficulty heretofore has been the impossibility of interesting private capital. Private capital very naturally would not invest in river transportation just so long as the railroads were free to kill that transportation, and just so long as conditions of that character remained. Further, until quite recently, the rivers were not available all the year around, which is essential to economical river transportation.

Those two difficulties we regard as now overcome. Congress has provided such authority with the Interstate Commerce Commission as we believe is a sufficient check to confiscatory competition by the railroads, and the rivers are ready, at least from St. Louis down, for continuous navigation, and the board of trade recently appointed a special committee on river traffic development, which committee is investigating the possibility of promoting a company with at least \$1,000,000 capital to build steel barges and provide the necessary equipment for traffic from St. Louis down, at least, and higher up if that be possible.

We are therefore very much upset to find the provision in this bill, from section 15 on, whereby not only the foreign water carriers are to be regulated, to which we think, under proper guidance and with proper modifications there can be no objection whatever, but also the coastwise carriers are to be regulated, and that, we presume, there is good reason for. We have not investigated it and we have no opinion to express especially on that, except as regards traffic on the Pacific, but we have a very distinct and definite objection to the provision that inland water carriers shall also be regulated, and for the very simple reason that it is utterly impossible to establish an entirely new enterprise, such as water carrying in the inland rivers, if there be any regulations or restrictions preventing free operation of competitive conditions. Mr. Brent will specify more definitely what that means. I will not go further than to say this: That to put your river traffic at its outset before it is established, before it is on its feet, under strict regulations, whereby they are bound to publish tariffs, they can not change their rates, they can not meet difficult conditions by discriminating as to the kind of traffic they desire to carry, as to the quantity of that traffic, as to the rates they will make on that traffic to meet the conditions as they arrive—and it must be done immediately. Under such conditions it is absolutely impossible to operate with success, and it will be impossible, we are satisfied, to obtain private capital to make a start even.

I will illustrate what I mean very briefly as a shipping man. I have been managing a shipping line in foreign trade for 30 years past in New Orleans, and the trade from the Gulf to Europe is the finest exemplification of private competitive conditions based entirely upon the law of supply and demand that I believe can be found anywhere in the world.

It is frequently necessary for me, as the representative of a line that has been operating to New Orleans for over 40 years, giving a fine and frequent service to European points, a service which has the distinct preference of all shippers because of its good service, nevertheless it is constantly necessary for me to insure finding full cargoes for my vessels, giving them dispatch, which is as necessary as full cargoes, to cut rates that I have made this morning, to cut them this afternoon, against tramp competition which comes up unheralded, and in order to find the cargo that I must find in order promptly to fill my vessels so that they may sail promptly.

Now, barge traffic on the river would operate largely in the same manner. The essential basis of competitive water conditions is that each vessel or each boat unit, barge or otherwise, must sail with full cargoes. If there is any space that is unoccupied there is a distinct loss of revenue and higher rates of freight are necessary to insure

profitable conditions. The lower rates of freights that are necessarily made by competition do not provide for any loss of cargo. If we have regulatory conditions that say you must not cut your rates without notice to a board, you must not advance them without notice to a board, you must not discriminate between this shipper and that shipper, you must take just what is offered, and you must make the same rates at all times to all people, in that case you may be absolutely certain that constantly your units will either have to be delayed, seeking the cargo that has not turned up to replace cargo already booked, or they will have to cut their rates to find from somebody proper delivery of cargo and get on their way on their voyage.

Those are the conditions that prevail from the Gulf to foreign ports in ocean carriage, and the same conditions very largely must prevail on our rivers. Without a free hand, of course, it is impossible to meet those conditions.

I will say, gentlemen, that so far as we can judge the rate regulations of the Interstate Commerce Commission, while we entirely approve of them as entirely essential, have developed one thing above all others, and that is there is no more competition between the railroads. They all make identically the same rates at the same time; and whether the rates are just or unjust, the Interstate Commerce Commission is the judge, and we have no complaint to make. But put the same regulations on the rivers and you will have the same condition. It must result that sooner or later they will all make the same rates at the same time. If you had the competition you would stop it. Now, you will never get it on the rivers, in our opinion, under those conditions, because people will not put money into an enterprise of that nature, which, under the best conditions possible, is entirely new. It is developing a new trade, and there is nothing harder under the sun than to develop a new trade route, and to develop that new trade you must have free hand to meet any competition and any conditions and all the disabilities that you have promptly and effectively.

The CHAIRMAN. Suppose the board simply establishes a maximum rate, would you not have an absolutely free hand below that rate?

Mr. SANDERS. Well, there are other conditions besides the rates, you see, Senator. There are these conditions of discrimination between different parties. Now it is essential to discriminate. You discriminate against Jones to-day and against Thomas to-morrow, and vice versa. They take their chances on getting the cut rates that are necessary to obtain the cargo.

The CHAIRMAN. Discrimination you are now speaking about is in cutting the rate?

Mr. SANDERS. No; there are others, styles of cargo, too.

The CHAIRMAN. Giving Jones a lesser rate than you do Smith?

Mr. SANDERS. That is one form. Another form is refusing Jones's cargo because the cargo does not suit you and taking Thomas's. For instance, Jones has pig iron and steel billets and you have grain already in your barge and have to have light freight. If you have a contract with Jones for steel billets, if they were offered you first, you could not take the light freight which Thomas offers you.

The CHAIRMAN. Do you think it is good business to allow a public service corporation to charge one patron one rate and another

patron another rate, to give facilities to one class of business and deny the same facilities to another class of business?

Mr. SANDERS. Just so long as the highway is free to all to come and compete on. So long as you accord the railroads their monopolistic rights and their rights of eminent domain which they have, the conditions are entirely different.

The CHAIRMAN. What do you think would be the result if the railroads of this country were allowed to apply the principle you are contending for now—that is, the principle that the railroad company may give Mr. Smith one rate and Mr. Jones another and Mr. Anderson a third, temporarily or permanently?

Mr. SANDERS. That applies in all your foreign commerce to-day, sir, and I make the statement to go in the record.

The CHAIRMAN. It would not apply when this bill was passed. It may apply to-day.

Mr. SANDERS. I want to make this statement as a man of 30 years' experience in this particular line, and claiming to be an expert. It will be a bad day for the country when you deny to the people of this country the right of exercising to its freest extent on the ocean the competitive laws of supply and demand. It may be a good thing for the liners I represent, I do not know, but it will eliminate the tramp, the regulator of rates absolutely, and on the rivers you will eliminate the possibilities of your rate checking and rate making, because no river craft can operate under it.

Senator FLETCHER. This does not prohibit every sort of discrimination. It says:

To make or give any undue or unreasonable preference or advantage to any particular person, locality, or description of traffic in any respect whatsoever, or to subject any particular person, locality, or description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever.

Mr. SANDERS. That is true, sir. That is the wording. But the person who feels that he has been hurt will immediately institute a lawsuit or bring this concern before the board because he has been discriminated against—Jones to-day, Thomas to-morrow, and Anderson the third day.

Senator FLETCHER. Would he not have the right to do that, to go before the board to establish that it is an undue discrimination?

Mr. SANDERS. The biggest merchants in our country, sir, are exercising that same facility on all their foreign commerce. They are taking the rate they can get to-day and they are taking the rates they can get to-morrow and competing against each other to-day. One day Jones gets the advantage, to-morrow Thomas gets the advantage, and they are all striving, because this strict application of the law of supply and demand on the ocean has given to this country to-day, and has for the last 30 years, the lowest average of ocean freight rates that exist in the world. Just so long as that law of supply and demand is free and uninterrupted.

Senator FLETCHER. Do you deny there are any conference agreements between the lines to fix the rates?

Mr. SANDERS. No, sir; that is a different thing. I am speaking about where the law of supply and demand is unhampered, and that is strictly speaking from the Gulf ports, from the Atlantic ports to the ports of Europe. For instance, there might be one or two slight exceptions to that of no consequence. I am not speaking of other

trades where there are conferences that control the freight rates more or less rigidly, say the trades to the South American ports and the trades at some of the eastern ports, but between the ports of the United States and the ports in Europe, where our big trade is, I say, without fear of being successfully contradicted, that the United States has for 30 years past, from my experience in New Orleans in that trade, had the lowest average of freight rates that have been attempted anywhere in the wide world, because the law of supply and demand is in free and unrestricted operation to those ports.

Senator FLETCHER. What lines do you manage?

Mr. SANDERS. My line is the Leyland Line. We operate steamers from New Orleans, Galveston, Mobile, and occasionally from South Atlantic ports to Great Britain.

Senator FLETCHER. How many ships ply between New Orleans and foreign ports?

Mr. SANDERS. Some 40 or 50 ships in the fleet, but we have about half of them running in the Gulf at various times.

Senator FLETCHER. Are they registered under British registry?

Mr. SANDERS. They are under British ownership.

Senator FLETCHER. How many ships does the United Fruit Co. operate out of New Orleans?

Mr. SANDERS. I do not know, sir. I do not know anything about their methods. We do not consider them, strictly speaking, a shipping people; we consider them as fruit growers and fruit men.

Senator FLETCHER. They do operate ships, however?

Mr. SANDERS. Yes, sir; they carry fruit.

Senator FLETCHER. And some freight and passengers, too, do they not?

Mr. SANDERS. Yes, sir; I think, however, it is a question of rate consideration with them. I do not know much about them, as a matter of fact.

Senator FLETCHER. Who is in charge of their business there?

Mr. SANDERS. Mr. Ellis is the manager there. Mr. C. H. Ellis is the manager at New Orleans, and I think of the southern district.

Senator FLETCHER. Is he a member of this commercial body, the board of trade or the chamber of commerce?

Mr. SANDERS. Yes, sir; he is a member of the board of trade, and has been for a number of years.

Senator FLETCHER. Are you a member of that?

Mr. SANDERS. I am; I am here as its president.

Senator FLETCHER. I beg pardon; I was not present when you began.

Mr. SANDERS. I am here at the request of the New Orleans Board of Trade; not at the request of the shipping people in any way, shape, or form. As far as I can find, they are fairly indifferent on this whole matter.

Senator FLETCHER. What amendments do you suggest?

Mr. SANDERS. We urge you gentlemen, in all seriousness and earnestness, to leave at least the inland waters out of this control, because we in New Orleans and the whole valley believe our future salvation depends upon the betterment of the transportation to the seaboard. We in New Orleans, of course, are directly interested because it will increase the volume of traffic to our port. New Orleans became the great port because of the river and it has been losing to some extent since the development of the railroads. We want to get back our fair

share because that river exists and the Government has spent millions of dollars making navigable channels which are now there and which we think ought to be used, and we believe they can be used; that the time is ripe now for a real rehabilitation of river traffic if we can only be given a free hand.

Senator RANSDELL. Will you not explain more fully the distinction which you started to draw between the monopolistic railroad owned and controlled and operated by one company and the waterway, which is free to all carriers, to all, to just as many as desire to use it—explain and give your reason why it might be all right to control this railroad and not apply the same kind of control to the waterway?

Mr. SANDERS. To begin with, Senator, the waterway is at a disadvantage, because it can not reach beyond the banks of the river. The water carrier, of necessity at present, takes his freight from the banks of the river and he delivers it on the banks of the river, and a very large share of that traffic wants to go farther, wants to go inland, either 5, 500, or 50 miles, and the water carrier can not take it there under present conditions. That is one disability.

Another disability is that if I start a line to-morrow, say, with 10 barges and steamboats operating between New Orleans and St. Louis, and demonstrate in the course of six months that it is profitable, Johnson will to-morrow start another line, and there is nothing on earth to stop him, thank goodness.

Senator RANSDELL. He has the same right to use that river?

Mr. SANDERS. The river is open, and he can use it in every way, shape, or form. So you are always insured, if the business is profitable on the river, that you will have competition. At present there are parts of the river where there is ~~is~~ small freight. It is so small there is not enough in it for real competition, and to some extent there is a method of killing that competition because it is so small. We want a big traffic that will be open for competition and can not be killed, and the competition, as I see it, if we establish profitable business on the river, is bound to come, and it will come with a rush the first time any company demonstrates it is really profitable.

Anybody can build barges. It is the simplest thing in the world to build them, when you can show to capital that there is a profitable enterprise in this trade already and lots of development.

Senator RANSDELL. Do you not feel encouraged by the enterprise of Mr. John H. Barnard?

Mr. SANDERS. Yes, sir: it shows there is traffic, but we believe he has not begun to touch the fringe of the traffic that is possible.

Senator RANSDELL. But he has met with success so far, has he not?

Mr. SANDERS. He has been able to obtain cargoes. I do not know whether he made any profit or not. My own personal opinion is that what we need is a more economical method of barge, perhaps, than he has. But that is a matter of opinion.

Senator FLETCHER. How many barges has he in operation?

Mr. SANDERS. He has one very wonderful example of a barge completed that is operating regularly between St. Louis and New Orleans, and I believe he has arranged to buy two others.

The idea of the committee in New Orleans is, with the help of St. Louis, which has already announced its readiness to subscribe liberally to the enterprise, to found a line of steel barges, with towboats.

and engage as promptly as may be possible in the grain-carrying trade from St. Louis, as well as in other trade.

Senator RANSDELL. It is contemplated as far up as Minneapolis, I believe?

Mr. SANDERS. Just as soon as we can get up there with regularity. There is no limit. The great secret of successful operation is that it must be all the year around operation. You can not afford to lay up your whole equipment three or four months of the year.

Senator FLETCHER. I thought his barges were self-propelled barges.

Mr. SANDERS. One is. Our committee so far is not of the opinion that it is the most economical method. That is detail, of course. But I got off the subject about which Mr. Ransdell asked a little.

Senator RANSDELL. You may proceed and elaborate your reply.

Mr. SANDERS. The railroad, as you gentlemen know, has a natural monopoly along its right of way. There are no competitors, and where it meets junctions with other railroads and where they get together in the same territory you will find they quote absolutely the same rates of freight. There is no competition between them in regard to rates. There may be competition in service, but there is none as regards rates. Twenty years ago I remember there used to be the most villainous cutthroat competition between them, and a very bad thing for them.

The CHAIRMAN. Suppose the traffic of the Mississippi River should grow and should become exceedingly attractive, would you answer you could not stop competition on that river?

Mr. SANDERS. It is impossible to avoid it, sir.

The CHAIRMAN. If that condition should develop would you have any apprehension that in the long run the strong man would destroy his weak competitor and assume entire control of the traffic of the river?

Mr. SANDERS. I do not see, Senator, how he could do it more readily on the Mississippi River than any other combinations.

The CHAIRMAN. Could he not do it on any river?

Mr. SANDERS. Well, on any river of ample capacity, such as the Mississippi River. I do not see how he could do it any more than a combination of men have failed to do it on the ocean.

The CHAIRMAN. That is a possibility, is it not, and a probability?

Mr. SANDERS. I do not think it is a probability at all, sir.

The CHAIRMAN. Suppose there was so much traffic on the Mississippi River, and the volume was such as to make it attractive to capital, and a number of companies are induced by reason of that condition to invest. One is a very powerful concern in its resources, and it determines there is not more business on that river than it wants to do itself, and therefore concludes that it will put its rates down to such a point as to make competition on the part of the weaker companies engaged in that business impossible and drive them off, and then assume absolute control of the business. Now, do you not think that some system of Government regulation which would prevent that sort of condition on your river would really be to the interest of river traffic instead of against it?

Mr. SANDERS. I should say, sir, if that condition ever arises it would be time for Congress to act, but if Congress acts beforehand we shall never see that day.

The CHAIRMAN. Have you any serious doubt that that condition would develop?

Mr. SANDERS. Not within 10 or 15 years.

Senator RANSDELL. Did it ever develop when we had an enormous commerce?

Mr. SANDERS. No, sir.

Senator RANSDELL. Senators, if you will pardon me, 30 or 40 years ago, when Mr. Sanders came to New Orleans, there was an immense commerce that entered that port. I want to ask him now if there was then that competition between the boats?

Mr. SANDERS. There was competition, and keen competition, most of the time; but there was never a time that I know of for the last 30 years when there was a very big commerce on the river, when any one party came anything like controlling it.

Senator RANSDELL. They did a great big business until the railroads drove them out?

Mr. SANDERS. Oh, entirely.

The CHAIRMAN. The financial organizations which have resulted in the last half or quarter of a century in combinations and in the development of various schemes and methods by which competition is destroyed probably was not as rampant in those times as it is now?

Mr. SANDERS. No, sir; that is true.

The CHAIRMAN. It was the development of those sort of methods of combinations that led us to the system of regulation as to railroads?

Mr. SANDERS. Yes, sir; but I will point out that the conditions now are essentially different. Why I believe you do not see that on the river is because the roadbed is free public property, and you can not restrict the roadbed. You can control a system of railroads, but the roadbeds are there and they have monopolistic rights over them. You do not see any such combinations across the ocean, where the roadbed is free; you will only see it where they have succeeded in small trades in making regulations that shut out the others.

The CHAIRMAN. Here is a business, though, that would be absolutely localized; it would be the traffic of the Mississippi River. It seems to me that it is reasonable to suppose that as soon as that traffic, under modern conditions, developed to a point where it would be exceedingly attractive, with no sort of regulation, that the big man would go in there and try to gobble it up?

Mr. SANDERS. I believe he would try.

The CHAIRMAN. And employ the usual methods to destroy any little man and attempt to take it from him?

Mr. SANDERS. It is possible he might try, but I think he would show very poor judgment.

The CHAIRMAN. He could not deny the competitor the right to use the water?

Mr. SANDERS. No, sir.

The CHAIRMAN. But he could create such conditions as to make it impossible for his weak competitor to use it?

Mr. SANDERS. Not unless he could control the landings.

The CHAIRMAN. If he could control the water he could control the landings, just like the railroads control most of the terminal facilities in the big cities?

Senator RANSDELL. May I suggest that we did not legislate in regard to the railroads until we found distinct evils, and nobody has

ever claimed that the water carriers have ever done anything that needed control. Am I right about that?

Mr. SANDERS. Yes, sir.

The CHAIRMAN. If a certain condition developed I do not see why it should be necessary to wait to apply the remedy until the evil becomes apparent.

Senator RANSDELL. Because if you put on this remedy in advance you will discourage something that does not exist now. I want to ask Mr. Sanders if it is not a fact that commerce has practically left our rivers?

Mr. SANDERS. It is true.

Senator RANSDELL. The great Red River, which used to furnish such enormous commerce, now has practically no commerce. The Washita, the Yazoo, the great Mississippi have but very little. You have got to create something that does not exist now, if I am correct.

Mr. SANDERS. Precisely; that is just our point. We have got to create a new trade, a new industry, and it is utterly impossible for us to do it with our hands tied, because our competitors are already in the field and have so much advantage over us that it will take the keenest kind of clever manipulation and competition to ever get a good share of that trade. I think Congress will not be bothered in 15 years by anything in the nature of a monopoly on the waterways.

The CHAIRMAN. I think capital would be just as apt to invest in building up that river traffic, in case it becomes reasonably profitable—enough so to justify it—if they are assured that when they do develop it they will be protected against those methods that they have seen destroy weak concerns in all lines of business in this country. I think the apprehension a man would have to enter into this business that some stronger competitor would come and take it away from him and destroy his investment would operate as a deterrent.

Senator RANSDELL. Have you any other matter that you wish to present? You have two or three other gentlemen here?

Mr. SANDERS. No, sir; I should rather allow Mr. Brent to give you some specific matters.

The CHAIRMAN. I am stating these views not because I want to intrude my views in these hearings, but because I want your answer.

Mr. SANDERS. My answer to the last remarks would be this, Senator: Look at the thing from a practical point of view.

The CHAIRMAN. That is the way it suggested itself to me, and I want an answer.

Mr. SANDERS. Look at it from this point of view, if you will: We propose to promote a company for the operation of barges and steam-boats to carry traffic on the Mississippi River. We want a million dollars subscribed. We go to the men who have money in St. Louis, New Orleans, and other river points and say: "Gentlemen, your interests are with ours in this. It seems a cheaper form of transportation to the seaboard and means a profitable industry to those who subscribe." They say to us at once: "What traffic are you going to get?" "Well, we will get traffic from St. Louis, to commence with, and probably some from Memphis and other intermediate points to New Orleans." "Well, what rates will it take?" "Well, we shall have to take a little less than the present railroad rates." "Will not the railroads cut?" "We do not think they will cut very much, because if they cut at the river points they can not put their rates back again

without consulting the Interstate Commerce Commission, and it will affect a series of their rates that are based on river points. Therefore we do not think they can afford to cut very seriously." "All right, how do you figure it out?" "We figure 10 barges operating, carrying so many thousand tons of this class of traffic at this rate, St. Louis to New Orleans, bringing so much revenue, and our expenses are going to be so much." "But how are you going to get that revenue?" "We get it by competition with the railroads and by good service."

What I mean to state briefly is that the thing is so indefinite and uncertain to go to the capitalist with, that if you go to him at the same time and say, "Well, of course, we are under the regulation of this shipping committee; we can not make such rates as may be necessary at all times, and we generally take cut rates to fill up our boats ahead and shall have to go away with boats half loaded sometimes or stay three or four days, so as to get some traffic at the same rate or get a new rate." "Well," they will say, "the insecurity of the proposition is such that we will not subscribe." I am absolutely certain we would not get a dollar unless we could demonstrate that we had free hand to compete with the railroad and handle the traffic along commercial lines.

Let us first get the industry on the rivers established, and then Congress can take a hand just the moment it finds it necessary to control any monopoly that may be apparent.

I will ask you if you will be kind enough to hear Mr. Brent, the general traffic manager of the joint traffic bureau?

**STATEMENT OF MR. THEODORE BRENT, GENERAL MANAGER
NEW ORLEANS JOINT TRAFFIC BUREAU, NEW ORLEANS, LA.**

Senator RANSDELL. You may give your name and position.

Mr. BRENT. I am general manager of the New Orleans Joint Traffic Bureau. That is a joint contract organization between the Board of Trade, the Association of Commerce, the Cotton Exchange, the Board of Port Commissioners, and the Public Belt Railroad of New Orleans, maintained for the purpose of guarding our rate adjustments and keeping lines of traffic open to and through the city and port.

Gentlemen, it has been my business for 20 years as a railroad man and in traffic work to observe the movements throughout these United States of traffic and the conditions which foster and the conditions which break down those lines of traffic, and for some years I have been watching the results of regulatory practices in connection with the common carriers, and it is inevitable that with observation come certain fixed ideas on my part as to what those things bring about.

I am not a public speaker, and in order to save the time of this committee I have taken up these regulatory features of this bill and have set down certain remarks and want to state them as briefly as possible.

I wish to address myself to the sections from 17 on, which are the ones we are fearful of.

The first one is the provision, section 17, which is, "unlawful for any common carrier to make or give any undue or unreasonable preference or advantage to any particular person, locality, or description of traffic in any respect whatsoever."

To gauge what is meant by this we have only at present as our guide the interpretation placed by the commission and the courts upon similar language contained in the act to regulate commerce.

One of the most clearly defined forms of unreasonable preference which that statute disapproves is any form of differing rates between persons and many forms of distinction between localities and descriptions of traffic. Inflexible tariffs must be filed and rigidly enforced under pain of punishment. That is also provided in this regulation of water carriers. This kind of regulation and rigidity of treatment as to rates is in our judgment thoroughly unworkable as to any forms of water carriage. The difference of practices has its root in the fundamental and basic differences of ownership and operations. That is the difference between rail carriers and water carriers. What is reasonable, what is sane as to the one is absolutely unworkable as to the other in our judgment.

The railroad is at base exclusive and monopolistic. It operates on property which it owns. Any encroachment is trespass. To the vast majority of communities the railroad corporation offers the only avenue of ingress and egress. Its charges on the supplies consumed in the town and the property produced measure the cost of living of each citizen and the competitive rates measure the field of operation of its industries.

We see that all over the country. The rate, for instance, from towns large and small are one of their largest assets, an asset which regulates their business and modifies or enlarges it.

If the business of a railroad becomes unprofitable, the railroad can not leave and prosecute its activities in another field. Its rates must be regulated so as to keep a close balance between aggression and an unsatisfactory financial condition.

There is no such situation in connection with water carriers. The factors of water carriage are easily removed from one operation to another. There is little of the plant which is placed so that it may not be removed so as to take advantage of the best freights offering. The boats operate on the open water highway. They will not undertake to pioneer a route unless they see in it opportunities of growth.

Their operations are necessarily confined to business between larger distributing points and gateways. Water carriage is only cheaper than rail carriage where the operations of the water carrier can be based on volume of traffic.

The ship or barge, the factor of water carriage, is a very large factor and the very opposite of the car or the single package, the unit of carriage of the railway.

Water carriage must of very necessity to maintain its existence prefer the business between large centers and cheapen the cost of carriage between such centers to the entire exclusion of intermediate water communities, which it wholly fails to serve, because the traffic is not available in volume warranting the water carrier in engaging in the business as a small local package carrier.

I do not believe we can find a single case in the United States where a boat line to-day is in existence which has only the small local carriage of freight from dock to dock.

The water carrier can not exist as a small local package carrier. It withdraws wherever a railroad extends its competition into a

territory previously served by a steamboat line. This is so because our general basis of rates in this country is such that you can not afford to incur the expense of stopping and starting a 1,000-ton unit to receive or deliver a 10-pound package.

The railroad service is all inclusive, monopolistic, and unrestrained, may easily become oppressive. It requires regulation, but that regulation leads away from every semblance of competition. The service of carriage by water is necessarily selective and fragmentary and in order to maintain a competitive existence it must constantly practice all the forms of discrimination within its field of operation which we most condemn in rail carriage.

To regulate it by any such standards as we regulate railroads is simply to prohibit its continued existence or its return, and to turn over the whole field of common carriage in this country to the rail carriers.

The communities on the interior rivers and lakes and at the seaboard have had the measure of their railroad rates fixed by actual water competition, which has in many cases disappeared. Those water-compelled rail rates, between St. Louis and New Orleans, for example, coupled with the extensive fabric of rail rates radiating to and from St. Louis, cheapened the cost of carriage throughout the whole broad territory from the Great Lakes to the Rocky Mountains. The former barge grain rates from St. Louis southward, and the existing unregulated lake rates eastward from Chicago have for years regulated the price paid for grain wherever grain is grown in the whole central drainage basin of the Mississippi and the Lakes.

Any system of regulation which makes unlawful discriminations between individuals, localities, or descriptions of traffic destroys water competition. Regulation and competition can not exist together. If we are to have competitive barge grain carriers again in operation on the lower Mississippi, as St. Louis and New Orleans are actively engaged in promoting at the present time, such barge line will have to maintain itself by holding a nice balance of rates by the water route from the Kansas and Nebraska grain fields through the Gulf to Liverpool against the routes via the Lakes and Montreal. It must meet not only varying charter rates from Chicago to Montreal, but fluctuating ocean quotations from the Atlantic against the Gulf ports to Europe. It must be able to accept a round lot of wheat or corn at whatever balance is necessary to permit a competitive sale to be made at Concordia, Kans., or Algona, Iowa.

It must make itself the variable factor to meet the fluctuations in the other variable factors, the other unregulated factors, and to take up those balances it must raise its rates as well as lower them with ease and with immediate necessity.

Now, the direct gainer is the grain at Concordia or Algona, and this gain should not be prohibited because the barge line finds it possible to secure one cent per bushel more for similar service on the same day on another round lot of grain in an elevator at St. Louis or Kansas City or Terre Haute. That is out of the question. To do it is simply to prohibit the thing.

Then if the barge line finds its holds filled with grain and a dearth of bag or bale or barrel freight with which to trim, it can not be required to publish and file its rates necessary to induce sufficient amount of such cargo to make its operations possible. It must make

a rate to induce such traffic, and, having made such rates, and secured enough such cargo, it must be at liberty to restore the rate or to raise it above the normal if the previous rate has had a tendency to attract an undue proportion of top cargo.

Those are conditions that are absolutely inflexible and we can not change them. If we are going to operate water carriers we must operate them under water conditions, and those are water conditions the world over.

The CHAIRMAN. That is, you think two conditions are essential to success of water transportation, first the right to fix any rate, high or low, you see fit and, second, the right to discriminate to any extent you think the situation requires?

Mr. BRENT. If we are to have competition, if that is what we want these barge lines for, then they must meet the conditions they find.

I want to illustrate that a little further again a little later. We do not need anybody to fix the maximum rates for the interstate carrier. The railroads fix those, and those are regulated. Nothing in this bill fixes the minimum rates. The minimum holds the menace of running the barge line out of business. We have got to get below the rail rate. If we have got to go deep to-day we want to raise to-morrow.

The CHAIRMAN. And you want the privilege to fix your own maximum; you do not want anyone else to fix your maximum for you?

Mr. BRENT. We think it is impossible that it should be so fixed. We think that the inflexible fixing of any rate as a maximum would be an impossibility if we are to bring about the thing we want. If the desire of the country is for competitive water lines then those things must be the conditions under which the water lines will come back. If it is not the desire of Congress, then all we see in the operation of water carriers on the Mississippi River or on the lakes or coastwise or intercoastal, all those things immediately vanish. We have no interest in the rivers except as competitors to railways, and unless we can meet them as competitors they are of no value.

Senator FLETCHER. Do you not think that this shipping board would take into consideration all those conditions if they were just?

Mr. BRENT. Senator, we do not know. We see conditions arising in the regulation of rail rates constantly that are inimical to every form of competition. We see our basic rates becoming more inflexible; we see the general tendency upward of our rates, and it follows as the night the day, regulation leads upward in rates, it does not lead downward, and it leads to an inflexible standard, and the very pressure of varying interests upon a regulatory body having for its object the pleasing of everybody, is to find a norm somewhere and make everybody conform to it, and that is necessarily what is going to be done with any board that regulates water rates.

Now that may eventually stabilize some of the lines already here in water traffic, if they need stabilizing, but it will never bring back water competition as competition with rail lines.

Senator FLETCHER. Do you not think it is a wise provision in the Panama Canal act to have gone as far as they did in giving the power to the Interstate Commerce Commission to prescribe certain regulations as to common carriers?

Mr. BRENT. As to common carriers owned by railroads, yes, sir, I do, but not as to the independent carriers, and they have no control over independent carriers.

Senator FLETCHER. Do they not with reference to their connections and through rates?

Mr. BRENT. They do, sir; and because they have that control the transcontinental water carriers do not join in joint rates with any railroad, and can not. The American-Hawaiian Line never had a joint rate. The Luckenbachs never had a joint rate. Grace's never had a joint rate. Neither can any transcontinental line that hopes to maintain a separate existence, because immediately it joins railroads in any joint rates under the jurisdiction of the Interstate Commerce Commission it immediately brings its entire business more or less under their control and under their rulings, and their rulings are absolutely inimical to independent water operations. We see that in the operation of our business.

Senator JONES. As we follow almost the language of the interstate-commerce act in this bill, you would expect the same construction of that language as applied to shipping as has been made with regard to railroads, would you not?

Mr. BRENT. Exactly. That is the construction I am appealing to. It is the construction we have seen put on the interstate-commerce law. The things we have seen grow up under regulation that we know menaces the very existence of the independent water carrier—it can not live.

The CHAIRMAN. "No common carrier by water shall directly or indirectly pay or allow, or enter into any combination, agreement, or understanding, expressly intended to pay or allow, a deferred rebate to any shipper." Do you object to that?

Mr. BRENT. No, Senator. We have no such system in interstate carriage. There is nothing of the kind. That has to do with South American carriage.

The CHAIRMAN. Certainly. "Shall not use a fighting ship either separately or in conjunction with any carrier, through agreement or otherwise." Have you any objection to that?

Mr. BRENT. Not particularly—none whatever.

The CHAIRMAN. "Third. Retaliate against any shipper by refusing, or threatening to refuse, space accommodations when such are available." Have you any objection to that?

Mr. BRENT. That would lead us right into conflict immediately.

The CHAIRMAN. "Threatening to refuse space accommodations when such are available, or resort to other discriminating or unfair methods, because such shipper has patronized any other carrier or has filed a complaint charging unfair treatment, or for any other reason." Do you object to that?

Mr. BRENT. No, Senator. I assume it would be a question of fact, and it would have to be all tried out, but it might frequently become a very annoying condition in connection with any barge line.

The CHAIRMAN. Now, "retaliation against any shipper by refusing or threatening to refuse space accommodations when such are available." How do you say that would bring you into conflict? In other words, where you have available space do you think you ought to be permitted to refuse a shipper, holding yourself out as you do as a public service corporation, the use of that space without any reference to any other condition, just arbitrarily refusing him the use of that space?

Mr. BRENT. Senator Simmons, I can not imagine such a thing happening. No; I do not see any objection to that in any way, but we must constantly refuse space to hay when we need to fill out with pig iron. We must constantly refuse space for grain if we have to complete a grain cargo and need top cargo. That would immediately come into conflict; become a question of our need as against a shipper's statement of what we said we wanted to do or what we said we needed. It would become a question of proof, then, and all that I have to say concerning that is, that you have constantly got to discriminate in the use of your space.

The CHAIRMAN. Let us go on. "Or resort to other discrimination or unfair methods." That is not general, that is qualified, "because such shipper has patronized any other carrier or has filed a complaint charging unfair treatment, or for any other reason."

Mr. BRENT. That is true.

The CHAIRMAN. That you say you do not object to. Now, let us take the fourth. This is the one, I assume, you do object to. "Make any unfair or unjustly discriminatory contract with any shipper based on the volume of freight offered." That limits that.

Mr. BRENT. You have got to make a contract without regard to volume.

The CHAIRMAN. This provides only where you make an unfair or unjust discriminatory contract with the shipper, based on the volume of freight, "or unfairly treat or unjustly discriminate against any shipper in the matter of (a) cargo space accommodations or other facilities." Now, here is the qualification, "due regard being had for the proper loading of the vessel and the available tonnage." Do you not think those qualifications there amply protect you in case your discrimination is just simply not an arbitrary one?

Mr. BRENT. We hesitate very strongly to put the construction of our conditions in the hands of a board. We believe that such a thing in the state of embryo in which water carriers are to-day would simply tie up capital and make anybody hesitate to put his operations under the control of any board. We believe, we must believe, that carriage by water is not in essence the same public function that involves carriage by rail. It is a private enterprise, limited and restricted.

The CHAIRMAN. The point I am trying to call your attention to is that the discrimination provided against here is a qualified discrimination.

Mr. BRENT. I realize that.

The CHAIRMAN. The qualification seems to have been imposed in the act to meet the very situation that I understood you to be describing a little while ago as to the difficulties of the matter.

Mr. BRENT. It seemingly does, but it puts all the determination as to our acts in the hands of the board; not our acts, but the acts of the water carriers.

The CHAIRMAN. You are hardly justified in assuming that the board will not proceed with circumspection and with due regard to the rights of the shipowner as well as the shipper.

Mr. BRENT. No, sir; we do not assume that, Senator, but we see constantly arising under the regulations of rail carriers, rulings by the commission which undoubtedly have in them some element of justice, but which it would be almost impossible to maintain a competitive

existence under. The present rulings of the commission do not tend to competitive effort. They make a rate which has to do with transportation in the large and with us it is a selective proposition.

The CHAIRMAN. That is with reference to discrimination?

Mr. BRENT. Yes, sir.

The CHAIRMAN. Now, with reference to rates. The bill provides:

That it shall be unlawful for any common carrier by water, or other person subject to this act, either alone or in conjunction with any other person, directly or indirectly—

First. To make or give any undue or unreasonable preference to any particular person, locality, or description of traffic in any respect whatsoever, or to subject any particular person, locality, or description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever.

That you say you object to?

Mr. BRENT. Yes, sir.

The CHAIRMAN. Because you are afraid that if you should give some advantage that is reasonable that it might be held by the board to be unreasonable?

Mr. BRENT. Senator, our view of that is this—

The CHAIRMAN. You say you have to give some advantages?

Mr. BRENT. We do.

The CHAIRMAN. You have to make some discriminations, but those advantages and those discriminations which you claim you have to make you claim also are reasonable. Now, your apprehension is based on the idea that the commission would not agree with you in reference to the reasonableness of those discriminations?

Mr. BRENT. Exactly.

The CHAIRMAN. And you say for that reason you ought to have the right of arbitrary discrimination?

Mr. BRENT. We believe, Senator, that a commission such as that proposed by this bill would have to take into consideration for us the conditions which exist on the coast of Maine and on the coast of Oregon, and they must make a general ruling which may not fit our case at all, while it may be perfectly reasonable as to others.

The CHAIRMAN. This permits you to do the things which you say you must do in order to make your business a success. This permits you to make those arrangements and those discriminations as to persons and localities as long as you do it in a reasonable way.

Mr. BRENT. Not necessarily, as long as you satisfy a commission of five men.

The CHAIRMAN. It does not say that you shall not make any discrimination at all, but it says that the discriminations that you shall make shall not be unreasonable or undue.

Mr. BRENT. That is true; that is the wording of the law—of the provisions rather. It is proposed to do these things arbitrarily with a commission of five men, who must take into consideration not our condition alone—and the condition which they fix may absolutely run us out of business in our territory—but they must fix conditions which have to do with the whole country which absolutely stultifies and puts out of the running individual effort in the railroad business.

The CHAIRMAN. Your contention is that your decision as to whether it is reasonable or unreasonable should be final and should not be subject to review by any governmental board or anybody else.

Mr. BRENT. Until the need of regulation has been demonstrated, Senator. We fear that we ourselves will be run out. If unjust competition comes about, then probably that might be necessary.

The CHAIRMAN. Now, the next is as to rate:

To allow any person to obtain transportation for property at less than the regular rates than established and enforced on the line of such carrier—

By and only in the way described. Now—

by means of false billing, false classification, false weighing, false reports of weight, or by any other unjust or unfair device or means.

Mr. BRENT. I see no objection to that.

The CHAIRMAN. That permits you to give to some persons less than your regular rates?

Mr. BRENT. Yes, sir.

The CHAIRMAN. As long as you do not do it by this false device.

Mr. BRENT. We do not oppose that.

The CHAIRMAN. So you are permitted to discriminate against persons and localities so long as you do not do it in an unreasonable way, and you are permitted to lower your rate in favor of any person provided you do not do it by these false methods?

Mr. BRENT. Not exactly, because in a later paragraph it is very much hedged and confined.

The CHAIRMAN. What about the other paragraph—paragraph 19, on page 17:

SEC. 19. That every common carrier by water in interstate commerce shall establish, observe, and enforce just and reasonable rates, fares, charges, classifications, and tariffs, and just and reasonable regulations and practices relating thereto and to the issuance, form, and substance of tickets, receipts, and bills of lading, the manner and method of presenting, marking, packing, and delivering property for transportation, the carrying of personal, sample and excess baggage, the facilities for transportation, and all other matters relating to or connected with the receiving, handling, transporting, storing or delivering of property.

And the next one:

Every such carrier shall file with the board and keep open to public inspection, in the form and manner and within the time prescribed by the board, the maximum rates, fares, and charges for or in connection with transportation between points on its own route; and if a through route has been established, the maximum rates, fares, and charges for or in connection with transportation between points on its own route and points on the route of any other carrier by water.

And the next, beginning on line 10:

No such carrier shall demand, charge, or collect a greater compensation for such transportation than the rates, fares, and charges filed in compliance with this section, except with the approval of the board and after 10 days' public notice in the form and manner prescribed by the board, stating the increase proposed to be made; but the board for good cause shown may waive such notice.

That is again the maximum rate.

Mr. BRENT. Yes, sir; that is again the maximum rate. That is as to the published rate. We may publish to-day, for we must publish, concerning one kind of business, a rate to-day. That is our maximum, as I see it. That is the way it is interpreted concerning the interstate-commerce law and would hardly have any other interpretation. If we put the rate down we could hardly raise it again except on 10 days' notice.

The CHAIRMAN. When you have fixed the maximum rate you are not permitted—

Mr. BRENT. We are not permitted to vary from any except by notice. The next paragraph provides:

Whenever the board finds that any rate, fare, charge, classification, tariff, regulation, or practice demanded, charged, collected, or observed by such carrier is unjust or unreasonable, it may determine, prescribe, and order enforced a just and reasonable maximum rate, fare, or charge, or a just and reasonable classification, tariff, regulation, or practice.

The CHAIRMAN. When they find it is unreasonable?

Mr. BRENT. Yes, sir; of course that again leaves it to their judgment. Let me illustrate to you a practical situation that I have in mind—

The CHAIRMAN. There was no controversy, I thought, about that, that the board has the right under this act to prescribe your rate only when it has determined after hearing that the rate you have fixed is an unreasonable rate, but you have been making some specific charges here with reference to the difficulties you would have if you were not permitted to discriminate—

Mr. BRENT. Yes, sir.

The CHAIRMAN. In case a situation develops that requires it?

Mr. BRENT. Yes, sir.

The CHAIRMAN. And the trouble that you might have if you were not permitted to refuse cargo space to this person or to that person?

Mr. BRENT. Yes, sir.

The CHAIRMAN. My purpose was to call your attention to the fact that the bill carefully guards your rights with reference to this discrimination and with reference to this refusal and limiting it to certain circumstances and conditions. Now as to the rate, the maximum rate that is prescribed by the board only after they have found the rate which you are charging is an unreasonable rate?

Mr. BRENT. Well, in actual practice, as I said before, our maximum is going to be fixed for us by the railroads. They are now. In every form of interstate water transportation we come in direct competition with the railroads and we can not go higher than their rate. We have to live by going lower.

Senator FLETCHER. On February 24, 1914, the Committee on Merchant Marine and Fisheries of the House made a report to the House of Representatives in which they said "that unlike the practice of water carriers in foreign trade of the United States, agreements to divide the territory and charge certain rates in domestic trade, are few. Competition in rates between domestic water lines, however, has been quite as effectively eliminated as in the foreign trade, and this has been accomplished by the several lines through one or more of the numerous methods discussed in part two of the foregoing report, summarized on pages 409 to 412." You disagree with that?

Mr. BRENT. No; it is coastwise trade that that has reference to, you will find?

Senator FLETCHER. It describes it as domestic water lines.

Mr. BRENT. Domestic water lines would be the coastwise lines which operate to your territory from New York and to ours. There is no competition between the Agwi Line or the ocean steamship lines and the railroads. There is no competition; they are railroad owned and railroad controlled.

Senator FLETCHER. Do you think it is not well enough to have some board with power of jurisdiction over it?

Mr. BRENT. No, sir; if you will just open the coastwise trade to foreign register, we will have all the competition we need—plenty of it.

Senator FLETCHER. Suppose we can not do that? I am inclined to agree with you about that, but there is considerable opposition to that course, and we might not be able to do that. In that event are we not almost driven to some sort of regulation?

Mr. BRENT. They are regulated in a way by schooner traffic. Their rates on sugar and their rates on canned goods are more or less regulated. Their package rates are made high to keep the level nearer the railroad rates, and for this reason, that if they do not they could not exist under any form of regulation, because these lines, competing as they do with rail carriers, operate on fixed schedules. Their boats go from New York whether full or light, and they must have a higher average rate for their service than any unregulated competitive water line would need. That is clear. The Clyde Line boat leaves on the hour for Jacksonville. It may come with a third cargo. It does not, for competitive reasons, make its rates flexible. If it did it could probably attract cargo necessary to fill its boats, but it would operate more irregularly. Nevertheless competition would bring us lower rates in the aggregate, on the average. We have just been before the Interstate Commerce Commission and asked them to take supervision of the Morgan Line under the Panama Canal act. We urged them to do it because they are the only carriers from New York City to New Orleans. It is railroad owned, and it has maintained for years a schedule of rates from New York to our port on all water haul of less than 1,800 miles—materially higher than the rates by rail and water from New York to Chicago, a similar distance, with infinitely more expense attached to it.

Now it has run out competition; that is the reason for that. But, Senator, I can not for the life of me see anything that would be gained by this method. The Morgan Line is controlled by the Interstate Commerce Commission now. So here is the ocean steamship line. The Agwi Line is controlled by railroad interests. They could not exist in competition with railroads; they merely exist by reasons of arrangements for connecting freights. But what we want to build up, if we can, is a competitive system of water carriage, and we want to see it started on its own recognition and without the control which we believe to be inimical to that start.

Senator FLETCHER. That committee recommended that the powers of the Interstate Commerce Commission be extended to the common carriers by water, and it is somewhat along the line of that report and that recommendation made in 1914 that these provisions are incorporated here, but instead of giving jurisdiction to the Interstate Commerce Commission it is giving it to this shipping board provided for in this act.

Mr. BRENT. Yes, sir; but the act and the regulatory features are very similar to that of the interstate commerce act, and we find it necessary to draw our conclusions from the experience we have had under the interstate-commerce act, and the experience we have had is that our rates which were made by water competition are disappearing; they are being advanced materially. We hope to bring back grain carriage from St. Louis because it is the pivotal point in

the grain adjustment in the upper river. At the time that Capt. Hoar Harstick was operating the Mississippi Valley barge line, 26 years ago, the rate on export grain from St. Louis to New Orleans was 7 cents; it is now 11.7.

Senator FLETCHER. Carried almost entirely by rail?

Mr. BRENT. Altogether by rail. There is no grain carried to-day by water. Now, we want to bring that about and we must have the same latitude to vary our rates from hour to hour in order to fill our boats that a lake carrier would have.

Senator FLETCHER. What is the rate now on grain from New Orleans to Liverpool, for instance?

Mr. BRENT. The rate is very high at the present time because of a dearth of carriers, but it is usually 4 cents a hundred pounds, or about 4 cents less than the rate from New York. It is maintained at about that, but it fluctuates.

Senator FLETCHER. Do you mean higher from New Orleans?

Mr. BRENT. I mean higher than New York. It is higher because of the longer haul. Now, in order to maintain ourselves as a grain carrier and to attract grain we have got to meet a flexible factor from Chicago to Montreal; that has got to be flexible because of the factor which it competes with; the factor from Fort William or Port Arthur, Ontario to Montreal. You can not regulate that or control it. That is flexible and is made from hour to hour and that fixes the Chicago freight to Montreal. This factor from there to Montreal fluctuates from hour to hour. If we hope at all to draw any grain—and we do hope to because it is our basis of operation—if we hope to draw any grain in this way and rebuild St. Louis as a grain market to New Orleans as a grain port, we will have to have the same flexible conditions, the ability to raise it or lower it at will, and to take the cargo, a round lot or a small lot as it happens, with flexible rates or go back to the railroad rates which are 50 per cent higher than by water.

Senator RANSDELL. You have naturally made your argument with reference to that part of the Mississippi River, and I will ask you if the same would not apply to every watercourse in the United States?

Mr. BRENT. Every bit; exactly, and not only to rivers but it applies to coastwise trade just the same. We need a boat line from San Francisco to New Orleans and we need it badly. After the war is over we hope to get it. There is a blanket rate adjustment on large commodities that move from Pacific ports of canned goods, fruits and vegetables, dried fish and barley—those are the large commodities that represent 75 per cent of the tonnage that moves eastward, outside of the perishable citrus fruits. The rate on those commodities from San Francisco to-day is 62½ cents. That rate applies from the Missouri River to the Atlantic seaboard. We are told by this bill that we must fix an inflexible rate; it must be published. It can not be changed except the board permits us to vary it, except by giving 10 days' notice. We want to draw a certain amount of that traffic by way of this boat line. New Orleans alone can not maintain that boat line. It has not traffic enough in itself to maintain it. We must draw upon the interior to fill out the cargoes of those boats. What rate are we to establish to meet the 62½-cent rate which covers the entire blanket from Missouri River to the Atlantic seaboard? The rail rate which any such boat line has to absorb on that commodity

from New Orleans to Memphis is 12, and St. Louis, 18, and Chicago, 20 and Cincinnati, 14. Now, what is to be the inflexible rate? What is to be the published reasonable rate for this carrier? It may be 40 cents to New Orleans easily and our people would be the gainer by that rate. But it has got to absorb these varying arbitrarities and meet and reduce the 62½-cent rate which covers the whole country. Now, what can they establish from San Francisco on any particular day for any particular person or any particular destination on any one of these particular kinds of traffic? It has got to have the right to vary its rates and take any portion of that cargo at any figures that are necessary within the bounds of reason and which would give them a revenue, otherwise it will die; it can not maintain itself on our business alone.

Senator FLETCHER. It is not though a situation which militates against trade and commerce when each carrier will quote a rate say good for 24 hours or 12 hours, and not go beyond that and leave you guessing as to what the rate is going to be? How can the exporter figure on or quote prices on products in this country when he is unable to get any figures for a rate beyond 24 hours, or some limited time like that? I believe that is the practice now.

Mr. BRENT. The firm offer is good for only a certain time. When those trades are made they are telegraphed and accepted, and it is done within 24 hours. He either accepts it or lets it go. That is the way the business is done. But in our interstate carriage, if they do not want to accept that they fall back on the rail rate, which is 62½ cents. He always knows he can do that. But he may be able to cheapen his transportation and he may be able to cheapen those commodities laid down in the interior.

Our point of view is that we want water carriers as competitors with rail carriers. We see in it for the communities and the interior country only that value. We can not see any reason for bringing back the water carriers on these rivers merely for the purpose of allowing people to make money on the river. If that is the purpose, then we have no interest in it. What is the reason for water carriers if not to regulate rail rates? The Interstate Commerce Commission can not regulate them. The railroads are advancing them. The only possible regulator is the water ways. If we are tied up with some form of regulation under some character of law, sooner or later there will be the same flexibility of operation and the tendency will be to use the rail factor as the normal, or to get pretty close to it. Any regulating measure has got to take into consideration the country as a whole. We can not expect to have our conditions preferred. No regulating body can live under the terrible pressure that comes from all points upon it except it fixes an average, and the competition which destroys averages and goes underneath them, we hope to bring about.

Senator RANSDELL. Do you know of any ills which ought to be cured or regulated by this proposed legislation in regard to our internal waterways?

Mr. BRENT. I declare to you that I have never been able to find a thing which I can see touched upon in this bill, which would improve our conditions—not a thing.

Senator FLETCHER. I suppose you do not see anything in the suggestion of Senator Simmons that it would be important to regulate

so as to prevent this cut-throat competition and ultimately the survival of the big lines over the little ones?

Mr. BRENT. In 1890 Jay Gould did his best to run the Mississippi Valley Transportation Co. off the Mississippi River. He put in a line of competitive barges, with all the capital of the Goulds behind him, and Capt. Haarstick was operating a good line, and with all the pressure that Gould could bring—and he did bring some terrible pressure because he wanted to run the other people out of the river because he was building a competitive railroad line—after a year's operation he came to Capt. Haarstick and asked him to take the boats off his hands; he said they were a failure and were losing money hand over fist. Capt. Haarstick said, "I am not buying, I am for sale." Finally Gould bought him out and paid him a large price for it and then the line was permitted to go out of existence. But Jay Gould, with all the money he had behind him, could not run a good independent barge line out of the river.

We do not fear that competition. Our fear is that it may be so regulated that our hands will be tied before we ever get started, and if we can be permitted to go into this operation unhampered, and we see the return of water competition on the rivers, it will be the regulator of the rail rate.

Senator RANSDELL. You do fear very seriously that this law will check the investment of money in these water lines, do you not; money being notoriously timid they will be afraid to invest in these water carriers if this kind of law is passed in advance?

Mr. BRENT. I do most emphatically. I know if we are to have a barge line operated within the next year or so, Mr. Sanders and I, and the people in St. Louis have got to go out among our merchants with a prospectus of probable earnings in order to interest capital in those two cities in an investment in this enterprise, and I declare to you that I do not want to be handicapped in this way to start with. I have nothing to offer. The maximum rate may be fixed for us to-day and to-morrow it will put us out of business. Let me say to you that we have only one commodity that we can pioneer with on this river to-day. That is grain. Capt. Bernard will not be able to live with his boats on the general cargo that he is operating to-day, and for this good and sufficient reason that in order to compete with the railroads you have got to receive and deliver the freight as the railroads receive and deliver it, and in the 20 years in which we have had no water operation the industries have left the rivers of the United States and gone to the interior, where they are served by rail, and even the switching charges for getting the freight from the dock to the industries and completing the water carriage, as it must be completed in order to compete with the railroads to-day, is prohibitive on most commodities.

Our rate on sugar—which is our largest commodity from New Orleans—from New Orleans to St. Louis is to-day 17 cents. Capt. Bernard started his operations with a 14-cent sugar rate from St. Louis to New Orleans. It costs him 3 cents a hundred pounds to get it from the refinery to the docks at New Orleans and costs him another 3 cents a hundred pounds to make delivery at St. Louis. There are 6 cents of his 14 cents gone before he ever starts, and within the last two weeks

he has given notice that he has had to cut out taking sugar as cargo northbound because there was no money in it. I am not here to say that his operations are the best. There are certain things about that that he can say better than I can. But grain is at the river bank at both ends. We have plenty of elevators at St. Louis that can immediately discharge grain into barges. We are building at New Orleans a publicly owned elevator with facilities for receiving grain from barges, and therefore we have a commodity in grain which we believe we can pioneer with and make a revenue, bringing back water competition. Now if we are forced to take cargoes regardless, as this bill would undoubtedly force us to do—if we are forced to take everything and anything, the proposition fails.

Senator FLETCHER. I thought coal was one of your chief commodities on the river?

Mr. BRENT. Coal is handled entirely by the coal owners, the coal operators themselves.

Senator FLETCHER. Do they own the barges?

Mr. BRENT. They own the barges and own the fleets, and there has never been a published rate on coal that I know of.

I had rather hoped that Senator Bankhead would be here to-day, as I know he is very much interested in bringing back-water operation on the Warrior River, and I am frank to say I do not see how he can ever hope for it.

The CHAIRMAN. I know very little about the subject from personal observation, but I do know something about it in connection with my own observation as to one stream. I have in mind one stream in my own State on which there is a line of boats that have been running for 20 years, I should say, and only one line. The traffic has been very profitable. The man who started it got rich and retired from business. The concern that owns it now is understood to be making a great deal of money. They charge very high rates. They treat the people pretty much as they please. Several offers have been made to establish competition along the line of that river. The parties undertaking it have finally become discouraged and have had to retire from the contest. The patrons along the line have agitated from time to time in favor of a competitive line, but they have never been able to get any started that would continue for any length of time, because the established line drove them out by one method or another. So that that river now belongs as much to that line of boats as the Perquimans Railroad belongs to the company that laid it.

Mr. BRENT. I should say that when this condition becomes general throughout the country and there is no possibility of competition, then if we find those conditions coming, regulation would probably be the only way out.

Continuing my written statement, which I was following when interrupted by questions, if, on the eve of an intended sailing, the barge line finds unfilled one of its fleet of barges necessary to economical operation, it must be at liberty to take an offering cargo of any commodity for, let us say, Vicksburg, without primary regard to the relation of the rate so accepted to any rate previously or concurrently accepted from any particular person or to any particular locality, or any particular description of traffic, and having loaded

that barge it must be at liberty to refrain from accepting any more than or later if it has not then the condition of distress warranting the previous acceptance of such cargo.

The basis of operation of every water carrier is a full ship. A steamship can not eliminate any portion of its fixed expense when it sails in water ballast. That barge line whose prime movers are capable of handling 10 barges of 1,500 tons each and which shares the terminus having only attracted sufficient cargo to fill five such barges, operates at a serious disadvantage. The shading of its rates sufficiently to fill the balance converts the operation from possible loss to actual profit, because all the costs of the passage have already been distributed over the former cargo, and the balance must only pay a return over its cost of receipt and delivery, and the rate may be materially reduced and still accomplish this.

These are the practical reasons why it is impossible for every common carrier by water in interstate commerce to "file with the board and keep open to public inspection in the form and manner and within the time prescribed by the board the maximum rates, fares, and charges for or in connection with transportation between points on its route." And it is also clear that the provision that "no such carrier shall demand, charge, or collect a greater compensation for such transportation than the rates, fares, and charges filed in compliance with this section except with the approval of the board and after 10 days' public notice," is a provision of law which makes the competitive operation of barges on our rivers or ships on our lakes or coastwise thoroughly impossible. The only sort of water service which can exist under such regulation is such operations as the Morgan Line or the Ocean Steamship Co. or the Agwi Lines—railroad owned or feeders of railroads, never competitors.

These lines exist by reason of agreement with rail carriers as to rates. Their rates go up in unison with the rates of the rail carriers with whom they compete or connect. Their boats move on fixed schedule, light or loaded. This is made possible by the high level of rates maintained by agreement with the railroads. They could not maintain a regulated existence on a basis of rates fixed with relation to the actual cost of operation plus a reasonable profit. Even now certain rates of these lines, as on sugar and canned goods, have to be maintained on a low level to discourage the occasional tramp schooner. Their general level of rates could not be maintained for any length of time if our coastwise shipping were opened to foreign register. This is not competition, and if this is the aim of Congress in connection with our interior waterways, then our growers and dealers in the great interior bulk commodities may as well prepare to accept less for grain in the field, for flour, cotton, meat products, feed, etc. Relieved of the actual or potential check of present or prospective forceful competition on our rivers and lakes, the tendency to advance all rates formerly competitive with water carriers, a tendency which has been very noticeable and burdensome since the passage of the amendment to the fourth section of the act to regulate commerce in 1910, will receive a new and extremely undesirable impetus.

STATEMENT OF MR. CHARLES RIPPIN, TRAFFIC COMMISSIONER, MERCHANTS' EXCHANGE, ST. LOUIS, MO.

Mr. RIPPIN. Mr. Chairman and gentlemen, I will say that the Merchants' Exchange of St. Louis is an organization of about 1,200 members who are engaged in the grain products and the hay business. We handle about 90,000,000 bushels of grain and grain products per annum at that market.

We are very much afraid that capital will not be attracted to invest in boats that we are hoping, in cooperation with New Orleans, to get in operation on the river between St. Louis and New Orleans primarily for the purpose of carrying grain down there if there is any provision to make a rigid rate on those boat lines or require them to hold a rate until some boards have given them relief in 10 days or any such period of time. Mr. Brent has covered that pretty fully, and the other gentleman who preceded him. I would like to give you an illustration, and that is about all I care to say on that subject. This grain comes in from the States west of the Mississippi River, Duluth and Chicago, and from Canada, Port Arthur, and Fort William to St. Louis, and goes into storage at those points. Then if there is an existing demand in foreign countries, bids are put out to see what sort of price it would take to handle the business. Now, if a boat line has just carried a cargo of grain from St. Louis to New Orleans, we will say, at 7 cents a hundred, and we come back to St. Louis, and we find in the meantime some condition has arisen at Montreal where a British boat line has cut the rate from Montreal, so that there is an adjustment necessary of freight transportation caused by a cut from St. Louis to New Orleans, we think that boat line should be immediately able to make a rate that will put it on a competitive basis and move the grain out of St. Louis via New Orleans in competition with Montreal; and I take Montreal only as one example. I mean the whole seaboard can be illustrated in the same way.

For that reason we think it will be impracticable to fix a time limit within which a boat may change its rate. We have no objection at all to the rate being made public. We think it would be a good thing if they should be required by telegraph to notify somebody that to-day they are making, or within 24 hours perhaps, such and such a rate from St. Louis to New Orleans on grain, and that would prevent any secret manipulation so that anybody who had a cargo of grain to offer could offer it at that rate. With that much publicity given to it I think you ought to rest, otherwise you would hurt the development of commerce on the rivers.

The Interstate Commerce law now expressly exempts commerce within the United States wholly by water from the provisions of that act, and I think that must have been done because it was considered sound public policy to leave the carriers on the inland waterways of the country with the greatest possible freedom in competing with railroads. The Lord knows they had a terrible time anyway trying to keep their heads up. They have been driven off of the Mississippi River very largely by the competition of the railroads. We do not anticipate the trouble that you gentlemen seem to have in mind in fixing this regulatory provision with reference to discrimination and unjust treatment. I feel as Mr. Sanders feels

about that; that is, if it comes we would expect you to take a hand and adjust the matter so that nobody would be unjustly treated.

With regard to discrimination, I rather feel as you do, Mr. Chairman that it would not be a discrimination to take a whole cargo of grain and refuse to move the boat 4 or 5 miles down the river and take a hundred barrels of flour; that would be unreasonable, and therefore I do not think that would be the right feature. To fix a time in which the carrier could fix a rate and tie his hands in that respect, that would hurt the proposition very seriously. He ought to have the utmost freedom in that respect consistent with publicity. I do believe that we should be required to notify somebody that we are making such a rate so that the operation between the various interests will bring about fair play.

The CHAIRMAN. You would not object then to the board fixing the maximum rate where they found the rate charged was unreasonable, but you do not want to be hampered within that limitation; you do not want to be hampered in changing your rate below that maximum as circumstances and conditions may make expedient?

Mr. RIPPIN. Mr. Chairman, I really think that the boat line can not charge more than a railroad, because the rail service is the superior service; it goes that much quicker and it is more dependable. Therefore the boat can never charge more than the railroad rate. It must charge less or it can not get the business. I can see very readily how you would want to fix it so that there would not be any unjust discrimination; that some big operator shall not come in and by a secret arrangement get a secret rate while another rate was being offered to other people to ship, and at the same time practically monopolize their business. We would not stand for that. We are perfectly willing that you should make some regulation about that, but we do not think that, considering the highly competitive nature of our business and knowing how those things fluctuate around from one port to another, it is feasible to make the establishment of a rate dependent upon a board a thousand miles away from us, and having the boat tied up at St. Louis or a fleet of barges 10 days or 3 or 4 days, if you please, waiting for that board to exercise its judgment. The railroad has not that to contend with. If the railroad has a cargo of grain at St. Louis to be moved, it does not make any difference to the railroad whether it goes out by New Orleans or Montreal, it will haul it out anyway. But as to boat line, that is the only place it has to go. The only way it can go is down the river with this export cargo. Therefore it is restricted; it must operate there or not at all, and it has to have the greatest freedom in order to work out its own salvation, otherwise I am afraid we will not be able to encourage people to put money into it.

Senator FLETCHER. With respect to this clause that you seem to object to, on page 18, I think, the charges that are to be filed are the maximum charges, and the line would not be allowed to vary from that except upon public notice and except with the approval of the board and after 10 days' public notice. But there is a saving clause even to that, on lines 13 to 16, "but the board for good cause shown may waive such notice."

Mr. RIPPIN. I noticed that saving clause. It might be after a time that the board may issue an order that a boat line operating between St. Louis and New Orleans, for example, may make its rate

by telegraph on a 24-hour notice, and that would be practicable, I think, but I am afraid it might hinder the matter nevertheless. It will hold people up from making an investment of their money if they think they are going to be prevented from freely competing for the business.

The CHAIRMAN. The country seems to be anxious for the establishment of water transportation. The board will be appointed with a view to trying to encourage that transportation, and can you not assume that wherever they have the authority to do so that they would be disposed to make such orders and regulations as would remove those difficulties as far as they were able to under the law?

Mr. RIPPIN. I rather think so. I would not look for them to have any interest in making unreasonable regulations, but I would be a little fearful about a 10 days' limit nevertheless.

Senator JONES. Whatever regulations they would make would have to be pretty general regulations, would they not?

Mr. RIPPIN. Yes, sir; they would have to apply everywhere.

Senator JONES. The conditions on the Mississippi River might be entirely different from those that obtain on the Columbia River in the State of Washington?

Mr. RIPPIN. Yes, sir.

The CHAIRMAN. Senator Jones, the railroads allow a certain class of rates in certain territories.

Senator JONES. They have a blanket territory; yes; and everything in that territory is subject to the general rule.

The CHAIRMAN. They can classify the waterways. The Mississippi River, being a great river of great length, they might make that in one separate classification.

Senator JONES. They might and they might not. You had better get the boats, I think, first.

Mr. RIPPIN. I think if you get the boats and if you find any evils resulting, you will find us here petitioning you to regulate it to see that they do not do anything unfair.

The CHAIRMAN. The board will be found rather an encouraging factor rather than a destroying factor of water transportation.

Mr. RIPPIN. I think so.

Senator RANSDELL. In your capacity as traffic manager of the St. Louis Merchants Exchange, have you come in contact with anything that would lead you to believe that there is any necessity whatsoever for this legislation?

Mr. RIPPIN. I was thinking about section 20, which covers the Jay Gould proposition that Mr. Brent was talking about.

Senator RANSDELL. Those that we have been discussing have reference to regulating those internal waterways.

Mr. RIPPIN. I have not seen anything there except that Jay Gould matter that Mr. Brent was talking about. Section 20 takes care of that. If by hard efforts we get a barge line established on the Mississippi River beginning with grain—because that is a product that operates successfully; I think it is one commodity that we can deal with most successfully at first, because of its volume and regularity of movement—if we should get that established and our railroad friends should put a boat line in there, making a rate that this independent line could not possibly live under, this section 20 would force them to keep that rate for all time by this bill. But we believe that

it would be better not to make any restrictions about the rates that the boat line can make.

That is all I care to say, Mr. Chairman, and I thank you for your courtesy.

**STATEMENT OF S. A. THOMPSON, SECRETARY-TREASURER
OF THE NATIONAL RIVERS AND HARBORS CONGRESS,
WASHINGTON, D. C.**

Mr. THOMPSON. Mr. Chairman and gentlemen, because of the lateness of the hour, I will only very briefly mention two or three points and shall then ask permission to file a further written statement the first of next week.

The CHAIRMAN. We would like very much to have these hearings published as soon as possible.

Mr. THOMPSON. It was my desire to insert some additional paragraphs, but I shall be glad to conform to your wishes and submit the statement as at present prepared.

It seems to me that one of the things that ought to be carefully considered in legislation which completely changes existing conditions is the experience of other nations. In Europe there are nations in which civilization was established and commerce was conducted for centuries before the United States was heard of or the continent of North America discovered. I have gone carefully through the Consular Reports called for by the National Waterways Commission, and I find that in England, the greatest trading nation in the world, they exercise no control whatever over the rates on their inland waterways. I find that in Belgium the same thing is true. I find that in Holland the same thing is true. In Holland, of course, there is a peculiar situation, for more than 90 per cent of the total freight moved is moved by water, and it is the only country on earth where the power of the Government had to be invoked to prevent the railways from being strangled to death by waterways.

Possibly not everyone would concede that Germany is the best regulated country on earth, but everybody must agree that it is the most completely regulated country on earth. When it comes to the matter of railways, they are owned and operated by the Government, and the Government therefore not only controls but makes the rates; but there isn't the slightest attempt, and, so far as I can learn, there never has been any attempt, to exercise any control whatever over the rates charged for transportation on the waterways of Germany. The charges for transportation of freight by water are a matter of agreement between the shipper and the carrier, and the rates change from day to day, even from hour to hour, in accordance with conditions.

Mr. BRENT. Are not the rates made in Germany with the purpose of keeping certain traffic moving on the river? Is that not the character of the regulation of Germany?

Mr. THOMPSON. That is largely true in Germany. The German statesmen were the first to recognize the fact that transportation is a vital question and that it was to the interest of the State to preserve the waterways from destruction by the railways. Wherever you have competition between railways which extend over a wide expanse of country with waterways which, of course, do not extend

over such a great territory—we have in this country approximately 25,000 miles of nominally navigable waterways and 250,000 miles of railways—the railways can invariably crush the waterways, if they are given perfect freedom, because they can recoup the losses sustained in competition with waterways from the higher charges made to points where waterway competition does not exist.

In Russia there is a certain limited regulation. The ministry of ways and means of communication has a certain amount of control over the rates made by boats which carry the mail and those which run on regular routes. European Russia, exclusive of Finland, has nearly 150,000 miles of waterways, and over all this wonderful system of inland communication, with the exception that has been mentioned, the boats are free to go where they please and when they please, and to make such rates as they please. It is everywhere a matter of contract between shipper and carrier.

France is the only country in Europe in which there is a definitely established and published schedule of waterway rates, but I want to call your attention to the fact that this was not brought about until the Government had established a complete, connected, standardized system of waterways by which a boat can go from any part of that country to any other part, and it seems to me that it would be the part of wisdom for the Congress of the United States to leave the establishment of a similar rule until similar conditions have been established in this country.

To-day, with a very few exceptions, so few that perhaps you could count them on the fingers of one hand, the rivers of the United States do not have dependable channels. I do not find myself quite in agreement with my friend, Mr. Brent, as to one thing. He, of course, is familiar with conditions on our greatest river, the Mississippi, while, naturally, I am studying conditions all over the country, and I find that since the first ray of light came for the waterways through the passage of section 11 of the Panama Canal act, in 1912, a great movement for the reestablishment of navigation has begun in all parts of the country, on small rivers as well as on large rivers.

There is one provision in this bill which alone would, in my judgment, absolutely prevent the starting of such efforts in the future; would absolutely destroy a great many that have already been started. As I read the bill, every common carrier by water in interstate commerce, clear down to the man who operates a rowboat as a ferry from one side of a river to the other, providing the two sides are in different States, has got to establish a complete classification of all freight that may be handled and a schedule of rates of freight and passenger fares, provide tickets for passengers, bills of lading for freight, and publish and put all these on file with the shipping board which the bill proposes to create. Anybody who will go down to the Division of Tariffs of the Interstate Commerce Commission will recognize the fact that simply to establish such classifications and to publish such tariffs, and the supplements that would be required from time to time, would involve so great an expense that only a line with abundant capital and an established trade could endure it, and the smaller lines would be absolutely driven out of business.

There are thousands of men in the country to-day who are seeking to establish boat lines, even on our unimproved rivers. As these rivers are given dependable channels and population and traffic

increase in density, these humble beginnings will develop into enterprises that are worth while. It is as true in traffic as in anything else, "first the blade, then the ear, and after that the full corn in the ear," and it goes without saying that if you prevent the planting of seed, you will never gather in any roasting ears.

It seems to me that the scores and hundreds, if not thousands, of little efforts to establish water transportation are worthy of consideration. There are hundreds of thousands of motor boats on the waters of the United States, and a great many of them are carrying traffic in interstate commerce. If they are encouraged they may develop into large enterprises, but, as I have already said, if you prevent the planting of seed you will never gather in any fruit.

There is another thing to which I especially desire to call attention. As I study the history of traffic on the waterways of the United States, the water carrier does not so much need protection against other water carriers as against the railways. I find on page 4 of the bill that great care is taken to provide that none of the commissioners of the new shipping board "shall be in the employ of or hold any official relation to any common carrier by water or other person subject to this act, or own any stocks or bonds thereof, or be pecuniarily interested therein," but I find nothing whatever in the bill to prevent any or all of the commissioners from being loaded up with railroad stocks and bonds, or even from holding official relations to railways, provided only that they do not actively engage in and give their time to the business of railroads. It seems to me that that prohibition should be extended to the ownership of railroad stocks and bonds, because I have found that the railroads of the country, as the Interstate Commerce Commission has often stated, consider that meeting water competition always means one of two things—either crushing water competition or controlling it, and I have found that every imaginable device, which I can not specify for lack of time, has been used by the railways in order to kill off water competition.

As was suggested by one of the speakers, the regulations proposed in this bill would seriously hamper the traffic from Duluth, while Fort William, across the lake, would be absolutely free, and there would speedily develop a tendency for grain to go from our north-western States for shipment from Fort William and Port Arthur, as well as down the St. Lawrence for shipment from Montreal, instead of going by way of New York and other ports of the United States.

To sum it up in a word, it seems to me that a very proper title for this bill, if it is enacted in its present form, considering both what it provides and what it fails to provide, would be "An act to absolutely prevent the restoration of traffic on the inland waterways of the United States."

H. R. 15455, as it passed the House of Representatives, might properly be entitled "An act to prevent the restoration of traffic to the inland waterways of the United States." While the purpose of the bill, as especially indicated in section 15, is the preservation of competition, the bill as it stands, both because of what it provides and what it fails to provide, will have a directly opposite effect and will destroy that which it was intended to preserve.

The history of traffic on our inland waterways during the past generation has been an almost uninterrupted tragedy. Great rivers which once were thronged with boats are now nearly or quite deserted.

Every congressional committee, every governmental commission or governmental bureau which has sought the reason for this result has reported that it is due fundamentally to unfair competition by railways. We have, in round numbers, some 25,000 miles of navigable waterways, while we have 250,000 miles of railways. So small a portion, therefore, of railway mileage is in direct competition with waterways that, in the absence of proper governmental protection, the contest for supremacy could have but one result.

By secret rebates, by discriminating tariffs, by "fighting boats," by purchase of controlling interests, by adverse placement of tracks and structures, by subsidizing the press, by bribing judges, by corrupting legislatures, by debauching the electorate, by brutality, or chicanery, or by any other means which were found necessary to accomplish the purpose, the railway interests of the United States brought about the destruction of transportation on our inland waterways.

The fourth section of the original interstate-commerce act gave a gleam of hope, but that proved to be only a will-o'-the-wisp. The first real signs of the dawning of a new day for water transportation came with the passage of section 11 of the Panama Canal act in 1912, but much additional legislation is still needed before our waterways will be free to perform their proper function in our commercial life.

For one thing, the railways are still free to make any rate they please in competition with waterways, provided they do not charge more for a shorter haul than for a longer haul, where the shorter is included in the longer. For instance, the Illinois Central Railroad charges the same rate on sugar, 17 cents per hundred pounds, for the 49 miles from New Orleans to Ponchatoula that is charged to Cairo, Ill., a distance of 566 miles.

Section 15 of the bill under consideration contains a number of provisions designed to protect water carriers from unfair competition by other water carriers, but what is chiefly needed on our inland waterways is protection of the water carriers from unfair competition by railways. Recently there has been established a boat service between St. Louis and New Orleans, and as shown by letters from Mr. John H. Bernhard, which were placed in the Congressional Record by Senator Ransdell, all the time the new barge is loading or unloading at either of these two cities, representatives of the Illinois Central and Louisville & Nashville Railroads stop the draymen and attempt to find out the shipper and the consignee of every package of freight. It is probably something more than a mere coincidence that a number of shippers who had definitely agreed to use the new barge line have refused to carry out their agreements.

It is a question whether the first paragraph of section 16, taken in connection with the third paragraph on page 2, would not require that every teamster hauling goods to or from a boat line, under any agreement therewith as to compensation, would not be compelled to file a true and complete memorandum of such agreement with the shipping board which the bill proposes to create; but it is not my intention to discuss this point, but merely to bring it to your attention.

On page 4, lines 2 to 5, there is a provision that no commissioner of the proposed shipping board "shall be in the employ of or hold any official relation to any common carrier by water or other person

subject to this act, or own any stocks or bonds thereof, or be peculiarly interested therein." As has already been stated, water carriers need protection, not against other water carriers, but against railroads, and there is nothing in the portion of section 2 to which reference has just been made, or elsewhere in the bill, so far as I have been able to discover, which would prohibit the shipping board from being made up, either partly or entirely, of men who own railway stocks or bonds or are otherwise interested in railways, or even those who hold official relation to railways, providing that they do not actively engage in railway work. Here is a danger point for water transportation against which adequate provision should be embodied in the bill before it is passed.

Due chiefly to the long course of unrestrained competition by railways and to the lack of improved and dependable channels in the interior waterways of the United States, we have to-day, except in a few instances, only the first feeble beginnings of service by water carriers. One radical objection to the pending bill is that it would impose upon those who find it a hard struggle merely to keep their boats in operation, regulations and expenses which could be met only by lines having considerable capital and an established business.

Section 19 provides that every common carrier by water in interstate commerce shall establish rates, fares, charges, classifications, tariffs, regulations, tickets, receipts, and bills of lading, and shall file with the board, and keep open for public inspection, a list of such rates, fares, etc., for the transportation of freight, passengers, and baggage, in the same manner as railways are obliged to conform to the interstate commerce act and the regulations of the Interstate Commerce Commission. Anyone who is familiar with the extent and complexity of the work involved in making a complete classification of commodities and a complete tariff of rates for their transportation, knows that the expense involved in compiling and publishing these classifications and tariffs, and the necessary supplements thereto, will be so great that it can be borne only by a very few of the companies now established on our inland waterways.

Much has been said in recent times as to the inadvisability of further governmental expenditures on waterways because of the lack of traffic. Traffic is almost invariably a plant of slow growth, very tender in its early stages, and needing to be cultivated with painstaking care before it can attain a size and strength which will enable it to withstand the storms of competition. If conditions are imposed which make it impossible to start water transportation on any stream until there is a traffic already in waiting large enough to guarantee a profit to a company having large capital, it goes without saying that there will be very little traffic developed upon our waterways. If you prevent the planting of seed, as is done by the provisions of this bill, it is certain that you can never gather any fruit.

Before making radical changes in existing customs it is worth while to find what course has been followed by other nations and what results have been obtained. There are nations in Europe in which civilization had been established and commerce had been carried on for many centuries before the discovery of America.

European practice: When the National Waterways Commission was appointed, a list of questions concerning the railways and waterways of the various countries of Europe was sent to American consuls

through the Department of State. Among these questions were the following:

Do inland water lines have regular schedules of freight rates and classification of freight?

Are the rates stable, or do they vary frequently with traffic exigencies?

England: The report as to England was that—

The rates vary on different waterways, because, as already stated, on the majority of waterways the companies are not carriers, and the carriers, whether they are companies or individuals, are not subject to a control of their rates. (N. W. Com. Doc. No. 17, p. 35.)

Holland: Almost the entire surface of Holland is permeated by a network of canals and rivers. Nowhere else in the world do inland waterways play such an important part in the development of the country. More than 90 per cent of the total traffic moves by water, and this is the only country in the world where the Government has had to intervene to prevent the waterways from crushing the life out of the railways.

As to Holland, it was reported:

There is no official control over the capitalization of navigation corporations. No authority has any power to regulate freight rates on rivers or canals, these being left to individual companies or private individuals. (N. W. Com. Doc. No. 18, p. 19.)

Inland water lines have no regular schedules of freight rates. * * * They vary as much as 100 per cent, according to existing conditions of water and weather. (Same, p. 37.)

Belgium:

There are no rules relative to freight rates in Belgium. (N. W. Com. Doc. No. 20, p. 19.)

Schedules of freight rates on inland lines vary according to the condition of the rivers and canals and the importance of the currents. There are no regular classifications of freight. Rates are irregular according to traffic exigencies. (Same, p. 27.)

France: In France there are regular schedules of freight rates published in book form, as reported in National Waterways Commission Document No. 16.

But it should be noted that France has a complete connected system of waterways with dependable depths, on which a standard boat can go from any part of the country to any other part. The first canal was built in France 106 years before Christ was born, and France has not stopped building canals and improving her waterways even during the greatest war in all history.

Furthermore, it should be noted that in France the waterways are given absolute protection by the Government against unfair competition by railroads. In fact, the railroads are compelled to make rates which are at least 20 per cent higher than the published charge for transportation for the same commodity on the waterways.

When the waterways of the United States have been completely improved and joined into a connected system, and all necessary legislation has been enacted to give carriers by water protection from unfair railroad competition, it may be worth while to consider the question of enacting such provisions as those contained in the pending bill. Under present conditions it would not only be unwise but positively disastrous.

Russia: European Russia, excluding Finland, has 147,715 miles of rivers, lakes, and canals serving as means of communication, as reported in National Waterways Commission Document No. 22:

As regards freight rates, the ministry of ways and means of communication fixes the maximum rates and whatever is under this maximum is determined by the corporations themselves.

It should be specially noted that "this, however, applies only to such waterways and vessels as carry mail and are subject to a fixed-time schedule."

For all other boats the matter of freight-rate schedule is left entirely to the boat owners.

There are no regular schedules of freight rates; they vary with traffic exigencies and are made by private agreement. * * * The inland waterway rates are affected by the distance of haul, the quantity and character of the commodity offered. (N. W. Com. Doc. No. 22, pp. 39, 40.)

Germany: Germany is without doubt about the most completely regulated country on earth. The states of the German Empire own and operate the railways and fix all freight rates thereon. Germany has also a highly developed system of waterways, and, like France, has continued that development, even during the greatest war in all history.

But, as appears from Document No. 19 of the National Waterways Commission, while the speed of boats in the canals, the number of barges that a towboat can handle in various portions of the waterways, and things of that sort are regulated to the limit, the matter of freight rates is left entirely to agreements between shippers and water carriers.

Generally speaking, there are no fixed rates for water transportation, as they vary from day to day, depending upon the size of shipment, the state of water in the canals and rivers, and upon the activity of trade. Freight rates on the Elbe have fluctuated from 14 to 42 pfennigs (\$0.033 to \$0.099) within one month. (N. W. Com. Doc. No. 19, p. 61.)

It is difficult to make a striking comparison between water rates and paralleling railroad rates, as there are no fixed rates for water transportation, as they vary from day to day, depending upon the size of the shipment, the state of water in the canals and rivers, and upon the activity of the trade. (Same, p. 63.)

Results contrasted: The best proof of the wisdom of a certain policy is to be found in the results which that policy produces. The contrast between the results produced by the radical improvement of European waterways and the absolute protection of water carriers from unfair competition and the results in the United States is startling, if not disgraceful. Everyone knows that traffic on the inland waterways of the United States, with the exception of the Great Lakes, has almost disappeared. The following table shows the different course of events in France and in Germany:

French traffic statistics.

	1890	1905	Increase, per cent.
WATERWAYS.			
Length, miles.....	6,782	7,483	10.4
Total tonnage ¹	18,000,000	34,080,000	90.0
Ton-mileage.....	1,244,000,000	3,153,000,000	154.0
RAILWAYS.			
Length, miles.....	14,315	24,459	71.0
Total tonnage ¹	80,774,000	129,000,000	72.0
Ton-mileage.....	6,417,000,000	10,950,000,000	71.0

¹ Metric tons of 2,204.6 pounds each.*German traffic statistics.*

	1875	1905	Increase, per cent.
WATERWAYS.			
Length, miles.....	6,200	6,200	.....
Total tonnage ¹	20,800,000	103,400,000	397.1
Ton-mileage.....	1,798,000,000	9,300,000,000	417.2
RAILWAYS.			
Length, miles.....	16,430	33,730	105.3
Total tonnage ¹	167,000,000	588,700,000	241.2
Ton-mileage.....	6,758,000,000	27,652,000,000	309.1

¹ Metric tons of 2,204.6 pounds each.

These figures are compiled from the report of W. H. Lindley to the British Royal Commission on Canal and Waterways, and show that while the length of railway lines was largely increased in both countries, while the length of the waterways was increased only 10 per cent in France and remained constant in Germany (although the depth, width, and general efficiency of the German waterways was increased), the ton mileage grew far more rapidly on the waterways of both countries than on the railways.

One other point is worthy of notice. In every one of the 20 years ending with 1913, the foreign commerce of Germany was greater than that of the United States. During the first 5 of these 20 years the average annual excess of German commerce was \$207,000,000; during the second 5 years it was \$221,000,000; during the third it was \$400,000,000, and during the fourth 5-year period the foreign commerce of Germany exceeded that of the United States by \$712,000,000 per year.

There is little in this record for the United States to be proud of, even if the two countries were equal in size and resources, but the United States has more than seventeen times the area, nearly three times the accumulated wealth, 50 per cent more population, and natural resources tenfold, perhaps twentyfold, greater.

It would seem that, in view of the results that Germany has attained, her methods are worthy of the most careful study, and different methods should be adopted only with extreme caution and after the most careful investigation.

Believing that the bill in its present form would largely decrease if it did not absolutely destroy transportation on our inland water-

ways, I earnestly hope that it may be radically changed before it is reported to the Senate. The lack of traffic on our waterways has been insistently urged as a reason for stopping their improvement, which is even now proceeding at too slow a pace. With a further decrease in traffic, it seems certain that this argument will be even more effective than it has already proved to be, with the probable result that appropriations will be greatly lessened or altogether suspended. Following that would come a definite abandonment of our inland waterways, thus giving to the railways of the United States an absolute monopoly of inland transportation.

STATEMENT OF E. P. BERTHOLF, CAPTAIN COMMANDANT COAST GUARD.

The CHAIRMAN. Captain, I think we would like to hear from you especially with reference to the matter of the construction work now going on in the shipyards and contract work, the construction of which has not been begun as yet, and how much of that is of foreign ownership and how much domestic ownership; how the domestic ownership is divided as between general cargo, ships for general cargo purposes, and ships for special uses; how much for the domestic freight—that is, the coastwise and lake and interior trade; and how much for foreign trade, and what you have done, what measures you have taken to advise yourself with respect to this work—and I am asking this question in a rather confidential manner, and the capacity of our shipyards as to the ships they are now constructing or which are under contract to be constructed; whether you have had any communications with these shipbuilders with respect to those questions and what has been the result of your inquiries made of them?

Capt. BERTHOLF. Under direction of the Secretary of the Treasury we have made a digest and an analysis of the shipbuilding construction that is now going on in the country.

The CHAIRMAN. You mean in the private yards?

Capt. BERTHOLF. In the private yards. The Department of Commerce publishes each month in their Commerce Reports a résumé of the ship construction showing the total volume, the yards in which the ships are being constructed, and the new construction taken on each month. The statement is issued monthly. The statement for May was issued only a few days ago; therefore it has not been entirely analyzed, but up to the 1st of May, 1916, we find this:

1,129,014 total tonnage building; of this 79,600 tons are for foreign ownership and 1,049,414 for American ownership.

Of the foreign owned vessels 59,200 tons are fuel oil carriers, 2,100 passenger and cargo, and 18,300 for cargo ships.

Of the 1,049,414 tons being built for American ownership, 610,782 tons are for special uses, such as fuel oil, bulk ore, colliers, molasses carriers, and small boats for miscellaneous purposes. Of the remaining 438,632 tons, 228,285 are for the coasting and Great Lakes trade, 144,617 for the foreign trade, and 65,738 doubtful.

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SPECIAL USES.

	Foreign ownership.	American ownership.	Total.
Bulk oil.....	59,200	399,800	459,000
Bulk ore.....		63,400	63,400
Colliers.....		50,729	50,729
Molasses.....		15,000	15,000
Ferryboats, towboats, miscellaneous.....		81,853	81,853
Total.....	59,200	610,782	669,982

GENERAL USES.

	Foreign ownership.	American ownership.			Total.
		Coast.	Foreign.	Doubtful.	
Passenger.....		1,800			1,800
Passenger and cargo.....	2,100	20,478	33,400		55,978
Cargo.....	18,300	206,007	111,217	65,730	401,254
Total.....	79,600	228,235	144,617	676,512	459,032

Special uses, 669,982; general uses, 459,032; total, 1,129,014.

Senator JONES. This tonnage that you say is for the coastwise trade would also be suitable for foreign trade, would it not?

Capt. BERTHOLF. Yes and no; some would not. In arriving at this tabulation, we took the ownership and the trade given in the Commerce Reports, and assumed that ships building for existing times engaged in the foreign trade, were intended for that same trade, and ships building for existing lines engaged in the coasting trade were intended for that trade.

Senator JONES. That is only an assumption. You do not know whether it would be used in that way or not?

Capt. BERTHOLF. Not at all. We do not know anything positively about it, only we know that a large portion of it is absolutely for the bulk freight or the coasting trade.

Senator JONES. You are merely taking the figures and drawing your own conclusion as to what it would be used for?

Capt. BERTHOLF. No, sir; I am taking the figures from the Commerce Department as to what trade the ships are being constructed for. Their statements specify the trade.

Senator JONES. How do they know the trade it is going in?

Capt. BERTHOLF. Presumably they get their figures from data that comes before them when the ship is built. They have a record of every ship that is built.

Senator JONES. But they do not know what trade it is going in?

Capt. BERTHOLF. Not after it starts.

Senator JONES. The Commissioner of Navigation testified here in that way the other day. He said he did not know what trade it was going in.

Capt. BERTHOLF. I do know what trade it is being constructed for, if the figures given by the Commissioner of Navigation are correct.

Senator JONES. It might go in the foreign trade as long as the conditions stay as they are now.

Capt. BERTHOLF. We know the vessel that is built for carrying bulk cargo will go in the bulk carrying trade, and vessels built for general cargo must go in that trade. The lake vessels are not at all likely to go into the seagoing trade. Lake vessels would not do for foreign trade.

Senator FLETCHER. They have not the capacity, have they? They are not built for it?

Capt. BERTHOLF. They are not built in that way.

Senator FLETCHER. And they have not the capacity.

Capt. BERTHOLF. This analysis is based upon the actual conditions as we know them to exist now, and wherever it is doubtful—

Senator JONES. I just wanted to bring out the fact that this is very nearly all inference and is not based on the statement of the owners or the men who are building the ships as to what they are actually going to do with them.

Capt. BERTHOLF. I would not like to agree with that.

Senator JONES. In so far as your statement up to this time is concerned, it seems to me that is the only deduction.

Capt. BERTHOLF. I want to make it plain that that is not what I intended to say.

Senator JONES. If you are stating actual facts and not inference, very well. That is what I wanted to bring out, that distinction.

Capt. BERTHOLF. Of course, as to all the ships built under American ownership, we do not know whether they will eventually be sold abroad or not, so if we take it that the statement in the Commerce Reports do not mean anything, then we can assume that the whole tonnage is built for the foreign trade; and, using the same grounds, we could also assume that all of this building is for the coasting trade. The only thing we have assumed is that the data in the Commerce Reports is correct, and we have simply tabulated the data.

The CHAIRMAN. In that connection, Capt. Bertholf, I have here he report that I think you are speaking from. Is it your understanding that these reports are made up as the result of inquiries made by the Bureau of Navigation of the shipbuilders?

Capt. BERTHOLF. Yes, sir; and the shipowners. When they build a steam vessel that has to be documented the plans must be submitted to the Steamboat-Inspection Service, and if there is not sufficient data supplied with the plans the proper official of the Commerce Department will undoubtedly ask for it in order to get this information. It is then published monthly for what it is worth. Taking the 144,000 tons building for the foreign-going trade under American ownership and assuming that the 65,000 doubtful tons will enter the same trade, that makes 209,000 tons at the most building for the over seas to-day, and I am perfectly willing to stand on the assertion that this is over 10 per cent in error of what actually will take place; that is, taking only the tonnage under construction on May 1, 1916,

The following statement is to show the capacity of the shipyards:

The Department of Commerce each month issues a tabular statement showing the total tonnage under construction on the first of the month, the new tonnage contracted for during the preceding month, and the total tonnage which was under construction the first of the preceding month, and also the approximate dates of

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delivery of the ships under construction. That data is available up to and including June 1, 1916, and considering only the most important shipbuilding concerns, we find the following:

Name.	Vessels building June 1.		To be delivered during calendar year 1916.	
	Num- ber.	Tonnage.	Num- ber.	Tonnage.
American Shipbuilding Co., Cleveland, Ohio.....	24	89,200	12	49,100
Baltimore Shipbuilding & Dry Dock Co., Baltimore, Md.....	7	24,500	4	14,000
Chester Shipbuilding Co., Chester, Pa.....	11	53,600	3	15,000
Fore River Shipbuilding Co., Quincy, Mass.....	13	70,480	4	23,000
Harlan & Hollingsworth Co., Wilmington, Del.....	16	68,306	3	19,000
Maryland Steel Co., Sparrows Point, Md.....	10	58,890	5	25,050
Newport News Shipbuilding & Dry Dock Co., Newport News, Va.....	16	111,947	7	58,900
New York Shipbuilding Co., Camden, N. J.....	25	131,788	12	52,939
Union Iron Works, San Francisco, Cal.....	23	165,858	12	85,758
Wm. Cramp & Sons Shipbuilding and Engine Building Co., Philadelphia, Pa.....	12	78,400	10	61,700
	157	853,949	72	404,456

¹ Department of Commerce statistics indicate that 43,000 tons should be completed, but a letter from this company, dated June 9, 1916, gives the figure at 19,000, showing work has been delayed.

This shows that of 157 ships, of 850,000 tons, which were being constructed June 1, there will be completed by the end of the present calendar year 78 vessels aggregating 404,000 tons; that is to say, 47 $\frac{1}{2}$ per cent of the tonnage which was under construction June 1 will be delivered by December 31, 1916.

The bulletins of the Department of Commerce also show that new tonnage to the extent of 61,000 tons was contracted for in February, 1916; 151,000 tons in March; 51,000 tons in April; and 81,000 tons in May.

All these figures show that from June 1 to December 31 there will be facilities for constructing 404,000 tons of new shipping with existing facilities in the yards above enumerated, and this permits of new construction to be contracted for at the rate of about 58,000 tons per month. If, therefore, the shipping bill becomes a law and the Government goes into the market for new construction, it will be able to avail itself of such portion of the 404,000 tons as private concerns do not contract for by December. And this with the existing facilities of the 10 principal yards above enumerated.

It is interesting and instructive to note that of the 81,000 tons of shipping contracted for during the month of May, 1916, 57,000 tons of construction were undertaken by two new shipbuilding concerns, as follows: Skinner & Eddy Corporation, Seattle, Wash., 35,000 tons; Willamette Iron & Steel Works and Northwestern Steel Co., Portland, Oreg., 22,000 tons. These are two new shipbuilding concerns, indicating that facilities will expand when the demand is sufficiently urgent.

The CHAIRMAN. How many of the shipbuilding concerns are included in that?

Capt. BERTHOLF. Ten; distributed all over the country.

The CHAIRMAN. That is 10 out of how many?

Capt. BERTHOLF. I will have to look it up. There are new ones every month or so, but these are the large ones, and they total 853,000 out of a million and odd tons.

Senator JONES. You mean those 10 yards are building that much?

Capt. BERTHOLF. Yes, sir; that is their total. Also in the tabulated statement of the Commerce Department it shows when this tonnage is contracted to be launched. So we find that according to the dates that these vessels are expected to be launched when they were laid down, 404,000 tons should be launched by the end of this current calendar year; that is 47 per cent of the tonnage now under construction in those 10 yards should be launched by the end of this calendar year, thus giving room for new construction.

The Commerce Reports show that new tonnage to the extent of 61,000 tons were contracted for in February, 1916; 151,000 in March; 51,000 in April; and 81,000 in May. It shows a great increase in the new orders during March, 1916.

Now, these figures indicate that from June 1 to December 31 of this year there will be facilities for constructing 404,000 tons of new shipping with existing shipping in those 10 yards, and this permits of new construction to be contracted for at the rate of 58,000 tons a month at the end of this year. If, therefore, the shipping bill becomes a law and the Government goes into the market for new construction, it should be able to avail itself of such portion of the 404,000 tons—

Senator JONES. What are you reading from?

Capt. BERTHOLF. The memorandum that I made.

Senator JONES. Oh, you made it from the figures?

Capt. BERTHOLF. Yes, sir; from the figures and statements in the Commerce Reports.

Senator JONES. That is your conclusion from the figures.

Capt. BERTHOLF. That is what the figures show.

The CHAIRMAN. It is the fact if the figures are true.

Capt. BERTHOLF. If the Government figures are correct this memorandum is correct. To continue:

If, therefore, the shipping bill becomes a law and the Government goes into the market for new construction, it will be able to avail itself of such portion of the 404,000 tons as private concerns do not contract for by December. And this with the existing facilities of the 10 principal yards above enumerated.

It is interesting and instructive to note that of the 81,000 tons of shipping contracted for during the month of May, 1916, 57,000 tons of construction were undertaken by two new shipping concerns as follows:

Skinner & Eddy Corporation, Seattle, Wash., 35,000 tons. Willamette Iron & Steel Works and Northwestern Steel Co., Portland, Oreg, 22,000. These are two new shipbuilding concerns, indicating that facilities will expand when the demand is sufficiently urgent.

Now, also at the desire of the Secretary, we sent letters to all of these large shipbuilding concerns and asked several questions.

The CHAIRMAN. Your memorandum is based upon the present capacity?

Capt. BERTHOLF. Yes, sir.

The CHAIRMAN. Without considering possible enlargement?

Capt. BERTHOLF. Exactly. In our letters to the shipyards we took up that question. We asked these several questions—

The CHAIRMAN. Whom did you ask those questions of?

Capt. BERTHOLF. Of these 10 concerns, and we received replies from 6. We asked the following questions:

1. How much of the tonnage you are now constructing will probably be delivered, say, by January 1 next?
2. Is the amount of construction you now have in hand equal to your full capacity?
3. If not, how much additional tonnage could you take now?
4. How much additional tonnage, exclusive of question 3, could you, in all probability, take by January 1 next if offered?
5. What is the best delivery you could guarantee at this time on freight vessels from 6,000 to 10,000 tons dead weight?
6. How much would that delivery be expedited if material could be obtained promptly?
7. If there was a reasonable prospect of a continuation of orders in excess of your present capacity, would you consider enlarging your plant; and if so, how many tons per year would this add to your present capacity?

The replies received were as follows:

CAMDEN, N. J., June 8, 1916.

Capt. E. P. BERTHOLF,

Captain Commandant United States Coast Guard, Washington, D. C.

DEAR SIR: In reply to your letter of June 7, we have to answer as follows:

1. It is impossible to say just how much tonnage will be delivered by January 1 next, as we have some labor difficulties at present. We would, however, under normal conditions deliver about 70,000 tons of dead weight.
2. All launching ways are filled at the present time.
3. The above answers this question.
4. We are now taking tonnage as fast as we can promise deliveries.
5. The deliveries we are promising at the present time are from 24 to 27 months.
6. We are able to get material to correspond with any deliveries we can make.
7. We are at the present moment engaged in work on enlarging our plant capacity, which is not completed. The amount of increase undertaken is 25 per cent.

Very truly, yours,

NEW YORK SHIPBUILDING CO.,
H. A. MAGOUN, Vice President.

CHESTER, PA., June 8, 1916.

E. P. BERTHOLF, Esq.,

Captain Commandant, Treasury Department, Washington, D. C.

DEAR SIR: In reply to your inquiry of June 7 we have to advise you as follows:

1. We expect to deliver three tank steamers, and possibly one freight vessel, by January next.
2. Yes.
3. _____
4. None.
5. Eighteen to 20 months.
6. Unable to state.
7. Probably, and might increase our capacity by three steamers per year.

Very truly, yours,

CHESTER SHIPBUILDING CO. (LTD.),
CHAS. P. M. JACK, President.

BALTIMORE, MD., June 8, 1916.

Captain Commandant E. P. BERTHOLF,

Treasury Department, United States Coast Guard, Washington, D. C.

DEAR SIR: In reply to your letter of the 7th we are giving below the information requested in the order in which the questions were asked.

1. 14,400 tons.
2. Yes.
3. _____
4. 18,000 tons.
5. Can deliver two 6,200 dead weight cargo steamers—one in 17 months, one in 18 months.
6. Two months.
7. Yes. Would be willing to build new plant of capacity four times as great as present plant.

If there is any further information we can furnish we will be glad to do so.

Yours, very truly,

THE BALTIMORE DRY DOCKS & SHIPBUILDING CO.,
H. A. EVANS, President and General Manager.

NEWPORT NEWS SHIPBUILDING & DRY DOCK CO.,
Newport News, Va., June 9, 1916.

Capt. E. P. BERTHOLF,

Captain Commandant, United Coast Guard, Washington, D. C.

DEAR SIR: In reply to your letter of the 7th instant asking for certain data relative to the capabilities of this plant, we submit the following:

1. How much of the tonnage you are now constructing will probably be delivered, say, by January 1 next?

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We expect to deliver by January 1, 1917, four vessels aggregating approximately 30,000 tons gross measurement. This is in addition to four vessels already delivered this year aggregating approximately 33,000 tons gross measurement. We also expect to deliver this year (June 12, 1916) the battleship *Pennsylvania*, normal displacement 31,400 tons.

2. Is the amount of construction you now have in hand equal to your full capacity? This plant is now working at approximately full capacity.
3. If not, how much additional tonnage could you take now?
4. How much additional tonnage, exclusive of question 3, could you, in all probability, take by January 1 next if offered?

We are not sure what you mean by the word "take." If it means how much could we take and deliver before January 1 next, the answer is none. Perhaps the answer to question 5 below furnishes the real information you wish.

5. What is the best delivery you could guarantee at this time on freight vessels from 6,000 to 10,000 tons dead-weight?

Twenty-one to twenty-four months.

6. How much would that delivery be expedited if material could be obtained promptly?

Under conditions as they now exist the delivery given in answer to question 5 is not a question of more prompt delivery of material.

7. If there was a reasonable prospect of a continuation of orders in excess of your present capacity, would you consider enlarging your plant; and if so, how many tons per year would this add to your present capacity?

With a reasonable prospect of continuation of orders in excess of our present capacity, we would consider enlarging our plant and have tentative plans in hand for so doing. The enlargement we have in mind would increase our output about 25,000 to 30,000 gross tons per annum of merchant vessels or one large Government vessel.

Yours, very truly,

H. L. FERGUSON,
President and General Manager.

WILMINGTON, DEL., June 9, 1916.

Capt. E. P. BERTHOLF,

*Commandant United States Coast Guard,
Treasury Department, Washington, D. C.*

SIR: We are in receipt of your letter of the 7th instant, and beg to reply to your questions in the order in which they occur, as follows:

1. How much tonnage you are now constructing will probably be delivered, say, by January 1 next?

19,000.

2. Is the amount of construction you now have in hand equal to your full capacity?

Yes.

3. If not, how much additional tonnage could you take now?

None.

4. How much additional tonnage, exclusive of question 3, could you, in all probability, take by January 1 next, if offered?

None.

5. What is the best delivery you could guarantee at this time on freight vessels from 6,000 to 10,000 tons dead-weight?

30 months.

6. How much would that delivery be expedited if material could be obtained promptly?

Not a question of material, but of men.

7. If there was a reasonable prospect of a continuation of orders in excess of your present capacity, would you consider enlarging your plant; and if so, how many tons per year would this add to your present capacity?

Can not answer.

Trusting the above will answer your requirements, we are,

Yours, very truly,

HARLAN & HOLLINGSWORTH CORPORATION.
W. G. COXE, President.

GREAT LAKES ENGINEERING WORKS,
Detroit, Mich., June 15, 1916.

E. P. BERTHOLF, Esq.

Captain Commandant, Treasury Department, Washington, D. C.

DEAR SIR: Answering your favor of the 7th, we beg to answer your questions as follows:

1. About one-third.
2. Yes.
3. None.
4. None.
5. April, 1918.
6. None.
7. Decline to answer.

We trust the above information will be in accord with your desires, and are,
Yours, very truly,

ANTONIO C. PESSANO, President.

The first three of those questions asked were intended to check up the information already in the Commerce bulletins, and we find that it agrees except in one instance, namely, the Harlan & Hollingsworth Co. The Commerce Reports indicated that 43,000 tons of the Harlan & Hollingsworth construction should be launched by the end of this year. The letter from that company, dated June 9, gives their estimate of the amount they expect to complete as 19,000 tons, showing that there has been a delay.

These letters are particularly interesting because they indicate that while the yards are now working to their capacity their capacity could be increased. The Baltimore Drydock & Shipbuilding Co. state they could expedite delivery two months if they could get material more promptly; Harlan & Hollingsworth state that it was not a question of material but a question of men. The Newport News Shipbuilding & Dry Dock Co. state that it is not a question of material; the New York Shipbuilding Co. state that they had no trouble in getting material promptly, and the other two concerns made no statement on this point. The Chester Shipbuilding Co. state they might increase their plant, in answer to the last question, by three steamers a year—that is at least 15,000 tons. The New York Shipbuilding Co. would increase their plant probably 25 per cent. The Baltimore Shipbuilding & Drydock Co. could build a plant four or five times the present capacity. The Newport News Co. would increase 30,000 tons. Harlan & Hollingsworth could not answer the question, and the Great Lakes Engineering Works declined to answer.

The object of the last question was to ascertain whether there could be any increase in the present facilities if the orders came in fast enough, and the replies indicate that there would be an increase.

Senator JONES. Indicated that they would or that they could?

Capt. BERTHOLF. That they would.

Senator FLETCHER. If the orders came in.

Capt. BERTHOLF. For instance, the Newport News Shipbuilding & Dry Dock Co. says:

With a reasonable prospect of continuation of orders in excess of our present capacity, we would consider enlarging our plant and have tentative plans in hand for so doing. The enlargement we have in mind would increase our output about 25,000 to 30,000 gross tons per annum of merchant vessels, or one large Government vessel.

Senator JONES. They do not indicate what would be a reasonable prospect, do they?

Capt. BERTHOLF. No; that is the answer to the question. They were asked to what extent. Harlan & Hollingsworth could not answer. The New York Shipbuilding Co. said:

We are at the present moment engaged in work at enlarging our plant's capacity, which is not completed. The amount of increase undertaken is 25 per cent.

They state they are now enlarging.

Senator JONES. Do any of those letters or answers to the questions bring out what those people expect to reserve for probable naval construction?

Capt. BERTHOLF. We did not ask that question, because that is set forth in the naval hearings. It is rather complete there. They were asked that very question and they stated what they could do.

Senator JONES. I know, but they might not have considered these things in answer to the question—the questions submitted by the Treasury Department.

Capt. BERTHOLF. I imagine they took under consideration all the construction that they could handle.

Senator JONES. But you do not know that they took that into account in answering this question?

Capt. BERTHOLF. Oh, no; except the Newport News Co. said about 25,000 or 30,000 gross tons per annum of merchant vessels or one large Government vessel.

The CHAIRMAN. They meant they could increase the plant to that extent?

Capt. BERTHOLF. Exactly. That is the question we asked.

The CHAIRMAN. Do you know anything about whether they expect to bid, with their present facilities, for any of this naval construction?

Capt. BERTHOLF. No, sir; I do not know anything about that.

The CHAIRMAN. I think the commissioner the other day gave us some information as to the plants that indicated their ability to furnish these vessels, and how many they could furnish. My recollection is the Newport News Co. was one of the companies. That is why I wanted to know whether it would be with reference to their present facilities.

Capt. BERTHOLF. Yes, sir.

Senator FLETCHER. Do you know of any prospects of any new yards being started up anywhere outside of those two on the Pacific coast?

Capt. BERTHOLF. No, sir; I have not heard anything definite.

The CHAIRMAN. Except those two that you mentioned.

Capt. BERTHOLF. Except those two that I mentioned. There is a great deal of information in these commerce reports. They show the way things are going. For instance, in the month of June there were 53,000 tons of vessels completed and 81,000 new tonnage contracted for, but inasmuch as 57,000 of those 81,000 tons was taken by entirely new yards, it would indicate apparently that the existing shipyards had not, during the month of May, contracted for new tonnage to replace that which was turned loose in the month of May by some thousands of tons. Of course, that may not mean that more ships are not wanted, but may mean that contracts for new undertakings were not completed, and the new tonnage may increase again next month.

In the Commerce Reports of June 19, 1916, it shows that the Willamette Iron & Steel Works and Northwest Steel Co., of Portland, Oreg., contracted for during the month of May five ships, 5,700 gross tonnage each, intended for the general cargo trade. The first was to be delivered on January 1, 1917; the second, March 1, 1917; third, June 1; and fourth, December 1, 1917; also the Skinner & Eddy Corporation, of Seattle, Wash., contracted during the month of May for six ships, the largest 6,400 tons and the smallest 5,730 tons, some for bulk oil and some for general cargo, the probable dates of their launchings being September, 1916, October, 1916, December, 1916, February, 1917, January, 1917, and August, 1917, indicating quite a rapid construction.

The CHAIRMAN. Are both of those new concerns?

Capt. BERTHOLF. Both are new concerns.

The CHAIRMAN. According to the figures you have given to the committee, what per cent of the cargo construction now in progress in the private yards is intended for over-sea trade?

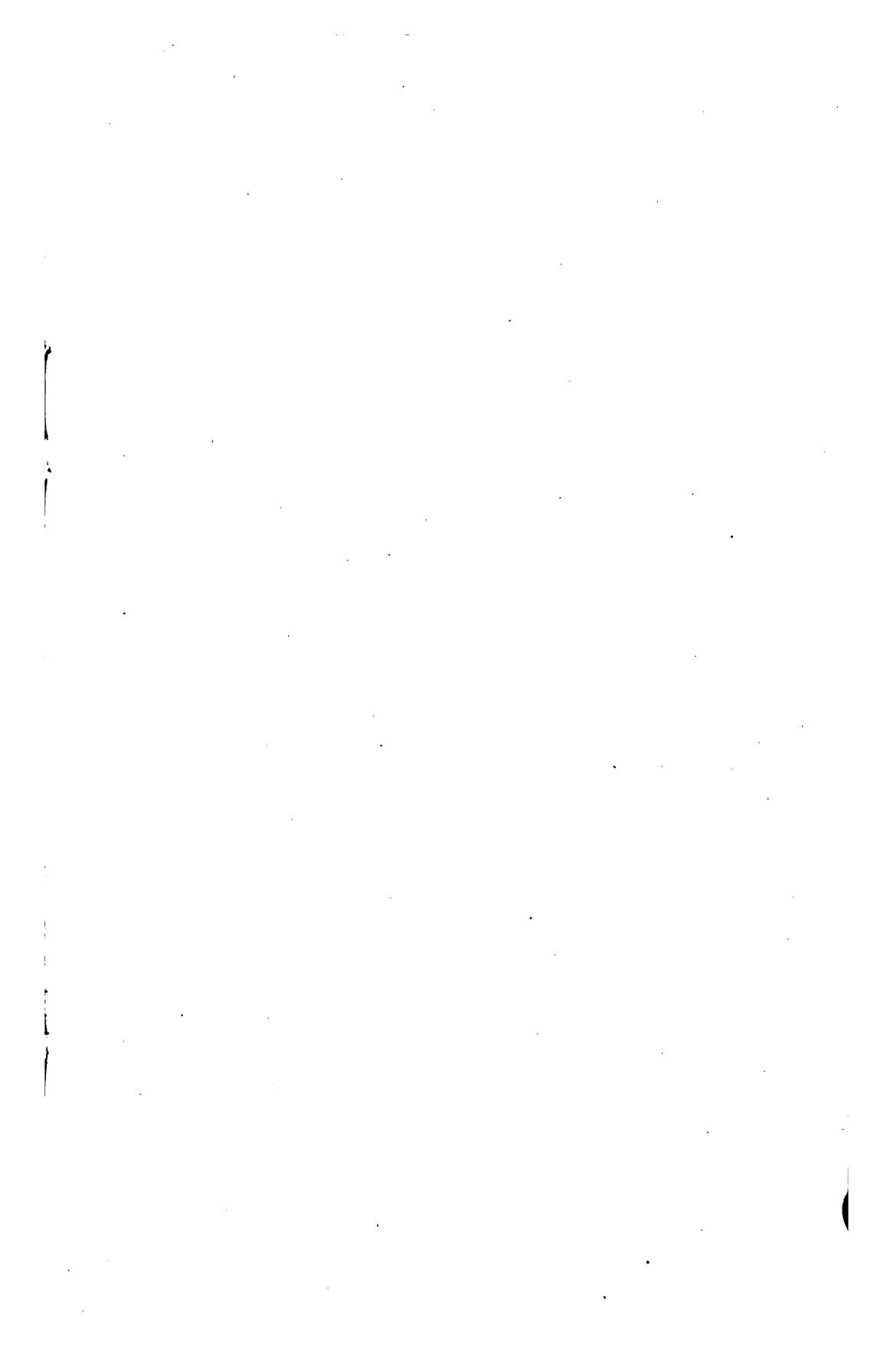
Capt. BERTHOLF. The 144,000 tons building on May 1 for the over-sea trade represents 12.7 per cent of the entire construction then going on. The 65,000 tons which are doubtful and may either be for the coasting trade or the over-sea trade, represents 5.7 per cent. If this 65,000 is really intended for the over-sea trade, then the total amount of tonnage being constructed on May 1 in our private shipyards for the over-sea trade would be 18.4 per cent. This, of course, refers to that portion of the vessels now under construction which are building for the general cargo trade.

The CHAIRMAN. Is there anything further you desire to state, Capt. Bertholf?

Capt. BERTHOLF. I do not think of anything else, Mr. Chairman.

(Accordingly, at 5 o'clock p. m., the committee adjourned and the hearings were announced closed.)

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